DOCUMENT RESUME

ED 341 355 HE 025 252

TITLE Student Financial Assistance. Report of the House of Representatives Standing Committee on Employment, Education, and Training.
INSTITUTION Australia Parliament, Canberra. Standing Committee on Employment, Education, and Training.
REPORT NO ISBN-0-644-14072-0
PUB DATE Mar 91
NOTE 120p.
AVAILABLE FROM SBS International Specialized Book Services, Inc., 5602 N.E. Hassalo Street, Portland, OR 97213-3640 ($9.95).
PUB TYPE Reports - General (140)

EDRS PRICE MF01/PC05 Plus Postage.
DESCRIPTORS Access to Education; Evaluation Criteria; Family Income; Foreign Countries; Government Role; Higher Education; Legislation; Paying for College; Policy Formation; *Program Administration; Student Costs; *Student Financial Aid; *Student Loan Programs
IDENTIFIERS *Australia

ABSTRACT

This report examines student financial assistance schemes in Australia in terms of their effectiveness and administration; particular reference is made to the findings of the Auditor-General's report on the administration of the Austudy program. The report discusses topics within the areas of program effectiveness, eligibility criteria, the Austudy program administration, and student loans in general. Among the conclusions expressed are the following: (1) the current parental income formula used to assess eligibility for Austudy allowances needs to be re-examined, and the threshold at which allowances are reduced is too low; (2) maximum incomes at which allowances cease are too high; (3) Austudy is not meeting students' total living costs; (4) the means and asset test free components of Assistance for Isolated Children and Austudy should be increased; and (5) the abatement rates must be adjusted to better target lower income families. Twenty-eight recommendations are provided. Appendices include data on full-time participation rates for 17-24 year olds, the cut-off points for the Austudy parental income test, average boarding costs, and the results of an inquiry into the living costs of young people. (GLR)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

BEST COPY AVAILABLE

ED341355

Student Financial Assistance

HE 025 252

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

★ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY
Australian Government Publishing Service
TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

The Parliament of the Commonwealth of Australia

Student Financial Assistance

Report of the House of Representatives Standing Committee on Employment, Education and Training

Australian Government Publishing Service
Canberra

3

© Commonwealth of Australia 1991
ISBN 0 644 14072 0

Printed in Australia for the Australian Government Publishing Service by
Pirie Printers Sales Pty Ltd, Fyshwick, ACT 2609

CONTENTS

ACKNOWLEDGMENT
COMMITTEE MEMBERSHIP
OVERVIEW
RECOMMENDATIONS

1. **INTRODUCTION** 1

Student Assistance 1
Austudy Description 6
Audit Report 8
The Inquiry 10

2. **EFFECTIVENESS** 11

Introduction 11
Retention and Participation Rates 13
Performance Indicators 19
Alternatives to Austudy 22
Taxable Income 25

3. **ELIGIBILITY CRITERIA** 31

Parental Income Test 31
Assets Tests 33
Personal Income 40
Independent Status 45
Spouse Income Test 48
Age 16 Rule 50
Private Institutions 51
Re-entry Students 52
Comparability with Unemployment Benefits 53
Academic Eligibility Rules 56

4. **AUSTUDY ADMINISTRATION** 59

Complexity 59
Application Form 60
Promotion 62
Processing Delays 64
Staff Training 68
DEET/Department of Social Security Links 70
Benefit Control 73
Program Responsibility 75
Consultation 80

5. **STUDENT LOANS** 83

Previous Proposals 83
Existing Loans Schemes 84
Overseas Schemes 85
New Campus Loans Scheme 88
The TAFE Sector 91

APPENDICES

1. List of Witnesses 95

2. Submissions Received 99

3. Full-Time Participation Rates for 17-24 Year Olds 105

4. Cut-off Points for Austudy Parental Income Test - 1991 105

5. Average Boarding Cost 109

6. Inquiry Into Living Cost of Young People 111

TERMS OF REFERENCE

The Committee inquire into and report on student financial assistance with the following terms of reference:

- the provision, administration and effectiveness of student financial assistance schemes with particular reference to the findings of the Auditor-General's report on the administration of the Austudy program (Audit Report No. 24, 1989-90).

MEMBERS OF THE COMMITTEE

36th Parliament

Chairman	Mr Roger Price, MP
Deputy Chairman	Mr Bob Charles, MP
Members	Mr John Anderson, MP Mr Rod Atkinson, MP Mr Arch Bevis, MP Mr John Bradford, MP Ms Mary Crawford, MP Mr Garrie Gibson, MP Mrs Carolyn Jakobsen, MP Hon Barry Jones, MP Mr Rod Sawford, MP Mr Bruce Scott, MP
Secretary	Mr John Cummins
Inquiry Staff	Mrs Judy Ferris

OVERVIEW

When the non-competitive, means tested student financial assistance scheme, TEAS, was introduced in 1974, its aim was to provide support for low income and 'average' families. Now its successor, Austudy, through stringent income and assets tests, is directed to families on very low incomes. The level of parental income allowed before allowances were reduced had declined from 100 per cent of average weekly earnings in 1974 to 64 per cent in 1990.

The Commonwealth Government's financial assistance to students, aims to promote equality of educational opportunity and improved educational outcomes for disadvantaged students, by breaking down the financial barriers to further participation in education and training. It is a key part of the Commonwealth strategy to enhance Australia's competitiveness by raising overall educational attainment levels and ensuring that more Australians are better able to take part in the improved range of employment, education and training opportunities.

The Committee had difficulty in assessing how effective student assistance programs in general, and Austudy in particular, have been in achieving the Government's aims. The Department of Employment, Education and Training (DEET) provided information which clearly shows that retention, completion and participation rates in post compulsory education have increased, but was unable to quantify the influence which Austudy has had on these trends. Indeed what data does exist suggests that Austudy plays little role in influencing people's decisions relating to education.

DEET's current performance indicators emphasise processing efficiency rather than program effectiveness. Programs such as Austudy, Abstudy and the Assistance for Isolated Children Scheme have never been properly evaluated. The Committee finds it disturbing that billions of dollars have been spent on programs for which the success or otherwise has never been assessed.

While the Committee accepts that the use of taxable income is an administratively simple means of assessing Austudy eligibility, in many cases it is an extremely poor measure of a persons' ability to meet education costs. Over a billion dollars in fringe benefits, which are not included in taxable income, are paid each year to employees. In addition, taxable income can be reduced through such mechanisms as negatively geared property. The Committee finds it unacceptable that inequities in the taxation system result in the payment of allowances to those who are well able to meet their own, or their children's, education costs.

The Committee believes that the current parental income formula used to assess eligibility for Austudy allowances needs to be re-examined. The threshold at which allowances are reduced is too low. While the current budget constraints prevent the level to be restored to average weekly earnings, the 1974 level, the Committee considers that the level should be at least 75 per cent of male average weekly earnings. In 1990 this was an annual wage of approximately $21 000.

The Committee considers that the maximum incomes at which allowances cease are too high. While full allowances are paid to families on very low incomes, the concessions for the number of children in the family allow some families on apparently high incomes to receive some assistance under Austudy. In some cases this assistance would be less than one dollar a week. The payment of such small allowances would have little impact on educational outcomes. It is the Committee's view that the abatement rates must be adjusted to better target lower income families. The Committee considers that an appropriate level for benefits to cease should be twice male average weekly earnings which in 1990 was an annual wage of approximately $56 000.

The question of access to education and training by rural people is highly complex at all times, but is particularly so when there is a severe downturn in the rural economy. Time and resource constraints made a detailed examination of rural education impossible. The Committee believes however that it received enough evidence to conclude that the means and assets test free components of AIC and

Austudy should be increased. The Committee will examine the rural education and training issues during the course of the year.

Austudy is not seen by the Government as meeting total living costs. It is therefore both illogical and unjust that the income which students may earn, before allowances are affected, is set at levels which do not enable students to meet their costs of living. While the Committee does not support the abolition of the personal income test, it believes that the allowable level of personal income should be increased significantly.

The Committee accepts the arguments that the age of independence should be reduced from age 25, to age 21 and has recommended that the age for eligibility for independent status be progressively reduced over the next four Budgets.

The Committee is conscious of the many criticisms which relate to the delivery of the Austudy program. Many witnesses stated that while the service is improving problems still remain. Those problems are associated with the advice given by staff, the inadequacy of the telephone inquiry system and processing delays. The lack of fully decentralised program delivery is the major shortcoming of DEET's procedures. Decentralised program delivery which is provided by the Department of Social Security, enables face to face contact between the program administrator and the client. Many witnesses argued that the program delivery aspects of student financial assistance should be undertaken by the Department of Social Security.

The Committee supports the continuation of the administration of student financial assistance by DEET provided significant reforms are made, particularly those relating to the upgrading of the telephone inquiry service and further decentralisation. If these improvements are not achieved the program administration should be transferred to the Department of Social Security.

RECOMMENDATIONS

1. The Government develop clear policy objectives for student financial assistance. *(Paragraph 2.31)*

2. a. The Department of Employment, Education and Training develop performance indicators in line with the Government's policy objectives, and

   b. the Department of Employment, Education and Training undertake an assessment of the effectiveness of student financial assistance programs in achieving their objectives. *(Paragraph 2.32)*

3. a. Tax deductions derived from negatively geared property, superannuation and prior year losses be excluded as allowable deductions for the purposes of student financial assistance eligibility;

   b. the value of fringe benefits be included as income, and

   c. the Department of Employment, Education & Training discuss with the Australian Taxation Office the most effective means to obtain details of fringe benefits received, allowable deductions and income received from trusts and companies. *(Paragraph 2.48)*

4. The Department of Employment, Education and Training include dependent students' assets when assessing eligibility. *(Paragraph 2.49)*

5. a. Marginal adjusted family income be increased to seventy-five per cent of male average weekly earnings ($21 000 in 1990);

   b. the abatement rate be revised to provide for a stepped rate;

   c. eligibility for Austudy allowances cease at twice male average weekly earnings ($56 000 in 1990), and

   d. the minimum allowance be $20.00 per week. *(Paragraph 3.7)*

6. The means and assets test free component of the Assistance for Isolated Children and Austudy allowance be increased to $2 250. *(Paragraph 3.28)*

7. The Government examine additional means by which assistance can be provided to rural families to assist with the education of their children, particularly through the introduction of a tapered assets test and the introduction of a rural loans scheme. *(Paragraph 3.29)*

8. The discount on allowable assets for businesses be discontinued. *(Paragraph 3.30)*

9. The Department of Employment, Education and Training give priority to the 1991 survey of student finances to enable survey results to be considered in the 1992 Budget context. *(Paragraph 3.36)*

10. a. The Government increase the allowable personal income to $8 000, and

    b. the allowance be reduced by 25 cents in every dollar earned in excess of $8 000. *(Paragraph 3.46)*

11. a. The independent eligibility criteria for independent status for Austudy be reduced progressively to age 21 over the next four Budgets, and

    b. the 'previous employment' rule be satisfied by -
    employment for two out of the previous three years, and
    income levels sufficiently high to indicate an ability to live independently. *(Paragraph 3.57)*

12. a. The spouse income abatement rate be changed to the level of the family income abatement rate, and

    b. the spouse income test be modified to enable those who had successfully completed at least their first year of study to continue to receive allowances at their previous levels subject to the normal Austudy rules. *(Paragraph 3.63)*

13. The Commonwealth Government revise its youth income support measures to enable senior secondary school and TAFE students under the age of 16 years who are eligible for the family allowance supplement to be eligible for Austudy allowances. *(Paragraph 3.67)*

14. Austudy eligibility criteria be revised to enable students enrolled at properly accredited private colleges and universities to be eligible for Austudy. *(Paragraph 3.70)*

15. The Austudy regulations be amended to enable students who are 19 years of age to repeat one year of senior secondary schooling provided that the principal of the school provides a certificate which states that the student is likely to successfully complete an additional year. *(Paragraph 3.72)*

16. The Minister for Employment, Education and Training request the Queensland Minister for Education to review the policy restricting external students to a maximum number of examination subjects. *(Paragraph 3.74)*

17. The Austudy regulations be revised to -
accept institutions' assessments of whether courses are at the same level, and
provide assistance to students for that proportion of the course for which credits are not granted. *(Paragraph 3.85)*

18. Austudy regulations be revised to enable Austudy support for courses at the same level if overseas qualifications are not recognised by professional or trade registration agencies or the educational and training institutions. *(Paragraph 3.87)*

19. The Department of Employment, Education and Training examine the feasibility of permitting a greater degree of self assessment by applicants. *(Paragraph 4.9)*

20. The Department of Employment, Education and Training allocate the necessary resources to develop an expert computer system to enable -
trialing during the 1991-92 processing season, and
progressive installation in DEET offices and educational institutions from the 1992-93 financial year. *(Paragraph 4.31)*

21. a. The Department of Employment, Education and Training and the Department of Social Security examine and review information collected to ensure that as far as possible it is standardised;

b. a client transferring from one program to another be required only to produce a certificate from the other Department to indicate that the client has provided relevant documentation, and

c. with the clients permission data on the client be transferred between the two Departments. *(Paragraph 4.40)*

22. The procedures be amended to enable emergency payments to the student in cases where there are delays in assessment of eligibility for Austudy. *(Paragraph 4.42)*

23. a. All Commonwealth Employment Service offices be upgraded to Education Student Assistance Scheme connected lodgement centres;

b. an Austudy officer be out-posted to busy regional Commonwealth Employment Service offices to handle more complex inquiries;

c. Commonwealth Employment Service staff at other centres be trained to handle all but the most complex inquiries but have access to central Austudy offices to enable ready access to expert advice;

S 13

d. an expert data base be developed and installed in each Commonwealth Employment Service office;

e. the telephone inquiry service be upgraded to enable 100 per cent of calls to be answered within 5 minutes, and

f. application forms be amended to indicate that all local Commonwealth Employment Service offices are points of contact for in-person and telephone inquiries. *(Paragraph 4.62)*

24. a. The Australian Audit Office review the 1991 processing season performance of the Department of Employment, Education and Training, and

b. if substantial improvements in performance have not been achieved the program delivery aspects of Austudy be transferred to the Department of Social Security. *(Paragraph 4.63)*

25. a. The Austudy Planning Group be formalised and meet regularly to discuss changes and difficulties with student financial assistance, and

b. the membership of the Austudy Planning Group be expanded to include representatives of the TAFE and school sectors. *(Paragraph 4.65)*

26. The Department of Employment, Education and Training in consultation with the National Union of Students undertake a research project on TAFE student representation and consultation. *(Paragraph 4.67)*

27. a. The Commonwealth Government provide grants to State and Territory Governments to enable the establishment of loan funds for TAFE students similar to the Special Assistance for Students Program, and

b. the Minister for Employment, Education and Training discuss with Ministers of Vocational Education, Employment and Training, arrangements for the administration of the student loans funds. *(Paragraph 5.34)*

28. a. The Minister for Employment, Education and Training discuss with the Ministers of Vocational Education, Employment and Training the provision of student welfare counselling services on TAFE campuses, and

b. the Government provide financial assistance to establish welfare counselling services on TAFE campuses. *(Paragraph 5.36)*

1 INTRODUCTION

Student Assistance

1.1 Prior to 1974 student financial support was provided primarily through Commonwealth and State scholarships and a small number of industry and public service cadetships. It was estimated that approximately 55 per cent of full-time higher education students received some form of income support through these schemes. [1]

1.2 In 1973 the existing merit based assistance schemes for tertiary study were abolished and were replaced by the Tertiary Education Assistance Scheme (TEAS) which was to provide non-competitive income tested allowances subject to academic progress rules for recognised full-time post secondary study. At the same time tuition fees for higher education were abolished. These reforms were designed to promote social and economic mobility and reduce social disadvantage.

1.3 In 1986 the Student Assistance Act was amended which enabled the introduction of a new-age related student assistance scheme, Austudy. Austudy replaced TEAS, the Secondary Allowances Scheme and the Adult Secondary Education Assistance Scheme. The amendment was also designed to remove the disincentive for young people from low income families to participate in post compulsory education.

1.4 The Commonwealth's financial assistance to students aims to promote equality of educational opportunity and improved educational outcomes for disadvantaged students by breaking down the financial barriers to further participation in education and training. The Department of Employment, Education and Training (DEET) advised that it is a key part of the Commonwealth strategy to enhance Australia's competitiveness by raising overall educational attainment

---

[1] Committee on Higher Education Funding, *Report*, AGPS, Canberra, 1988, p. 7.

levels and ensuring that more Australians are better able to take part in the improved range of employment, education and training opportunities.

1.5 Three major schemes which are administered by the Department are:

- Austudy which provides income support to financially disadvantaged students aged 16 or over undertaking full-time studies in either secondary or tertiary education;
- Abstudy which provides financial assistance to all eligible Aboriginal and Torres Strait Islander students undertaking an approved course of study, and
- Assistance For Isolated Children (AIC) which helps students who because of their geographical isolation do not have reasonable daily access to a government school.

1.6 In addition DEET administers:

- Living Allowance for English as a Second Language Courses which provides a living allowance equal to unemployment benefits to migrants enrolled in certain vocational English and literacy training courses, and
- various formal training allowances.

1.7 Student financial assistance schemes administered by other agencies include the Adult Migrant Education Program administered by the Department of Immigration, Local Government and Ethnic Affairs and the Veterans' Children Education Scheme administered by the Department of Veterans Affairs.

1.8 As Austudy is by far the largest of the financial assistance schemes in terms of outlays and numbers supported and as a number of aspects of Abstudy have been addressed by the House of Representatives Standing Committee on Aboriginal Affairs, the Committee's report focuses primarily on Austudy.

1.9 The estimated expenditure on student support programs which are administered by DEET is expected to be $1.1 billion in 1990-91, comprising:

- Austudy $948.8 million
- Abstudy $81.7 million
- AIC $16.4 million
- Running costs $49.1 million (5 per cent of program)

1.10 Almost 395 000 students are expected to be assisted in 1991. Details by sector are shown in Table 1.1.

TABLE 1.1 BENEFICIARIES OF DEET EDUCATION INCOME SUPPORT PROGRAMS

	1987-88	1988-89	1989-90	1990-91 (estimated)	Increase 1987-88 1990-91 Percent
AUSTUDY					
Tertiary	136 849	138 295	149 056	159 500	16.6
Secondary	131 265	145 996	162 774	168 000	28.0
Adult Secondary	5 544	5 897	7 699	8 000	44.3
SUB-TOTAL	273 658	290 188	319 529	335 500	22.6
ABSTUDY					
Tertiary	14 631	14 694	15 050	15 800	8.0
Secondary	25 608	24 193	27 251	30 000	17.2
SUB-TOTAL	40 239	38 887	42 301	45 800	13.8
AIC	not available	16 500	13 274	13 500	
SUB-TOTAL		16 500	13 274	13 500	
TOTAL		345 575	375 104	394 800	

Source: Department of Employment, Education and Training.

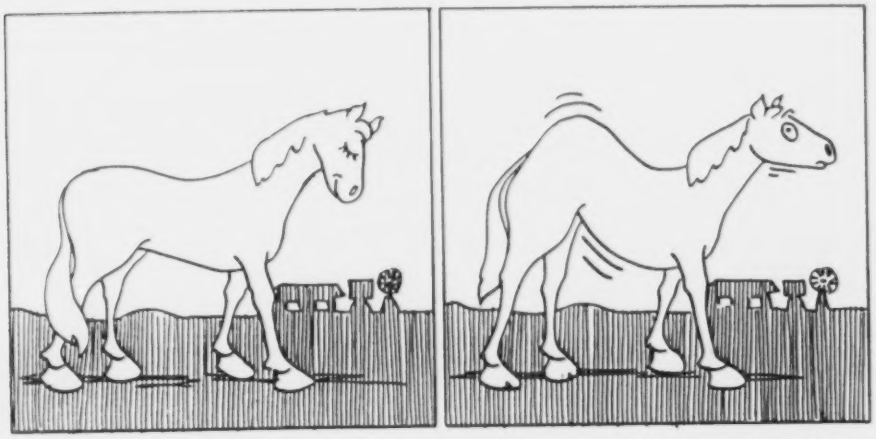
1.11 It is estimated that in 1991 around 42 per cent of tertiary students and about 36 per cent of secondary students will be assisted under Austudy. In 1990

46.5 per cent of tertiary students and 40 per cent of secondary students were on full allowance.

1.12 Over time the student financial assistance programs have become more and more complex. One Judge observed in 1981 that:

> The price paid for the Act's economy of language lies in the complexity of the regulations which govern the grant of benefits. Amended on more than forty occasions in their six years of existence these regulations now represent an administrative scheme of great intricacy and much ambiguity. No applicant is likely to gain from them any clear impression of his entitlement to a benefit and this case suggests that even those who have to administer the scheme have great difficulty understanding it.[2]

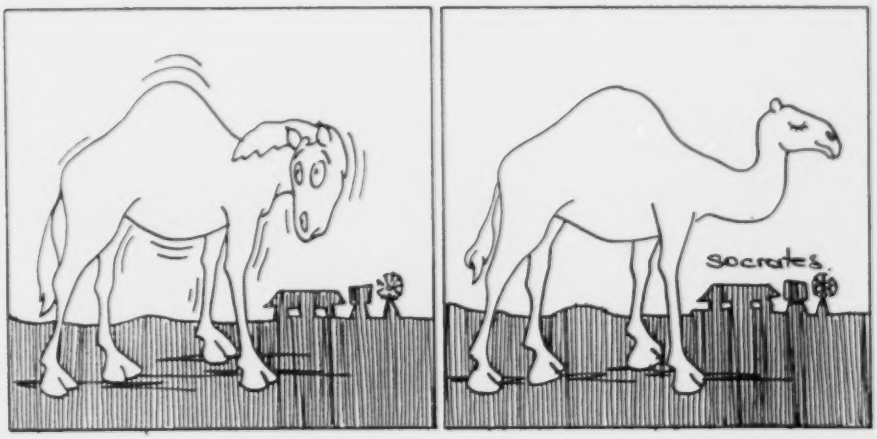
Since that time there have been many more amendments which have made the program even more complex.



Development of Student

[2] Australian and New Zealand Student Services Association, *Submission*, pp. 5-6.

1.13 Student financial assistance programs have changed from providing support for 'average' families and now through more stringent income and assets tests are directed to families on very low incomes. In the absence of proper program evaluation it is not possible to assess the effectiveness of student assistance over the past 15 years other than to observe that the social mix in higher education does not appear to have significantly changed. The availability of increased financial support for TAFE students however has made full-time study at TAFE a viable option for many. The program also appears to have assisted women and mature-age students to undertake full-time study. Its influence on increasing retention rates at the secondary level has not been firmly established as DEET has never properly evaluated the program. The Committee finds it disturbing that billions of dollars have been spent on a program for which the success or otherwise has never been assessed.



Financial Assistance 1974 to 1991?

Austudy Description

1.14 Austudy provides financial assistance to students aged 16 or over who undertake full-time study in an approved course at a school, TAFE college, higher education institutions or other approved tertiary institutions in Australia and applies to Australian citizens and permanent residents.

1.15 Austudy payments for tertiary students depend upon satisfactory course progress and are payable only for one course at a given level and for the minimum time needed to complete that course. To remain on allowance school students must have satisfactory attendance records. With the co-operation of the school system there have been increasing attendance checks of secondary students. Allowance levels are age related and are subject to income and assets tests. There are three categories of allowance namely, Standard (ie dependent on parents), Away and Independent.

1.16 A parental income test applies to students not qualifying for the independent rate of Austudy. It covers the combined parents' taxable income for the previous financial year. Students are eligible for the full allowance if parents' income is $19 300 or less. The allowance is reduced at the rate of $1.00 for every $4.00 by which parental income exceeds this amount. Parental income is adjusted for the number of dependent children in the family. A spouse income test applies to the partner of an independent student.

1.17 An assets test also applies and students are entitled to receive Austudy only if the net market value of their parent's assets (excluding the family home) does not exceed $347 500. Only 50 per cent of the net value of assets of a business or farm in which the parent works are taken into account. This means that where only business and farm assets apply these may have a net value of up to $695 000 in 1991 before the benefit is affected. Assets may have actual values much higher than these figures for all liabilities associated with the assets can be deducted from the values for Austudy eligibility purposes.

1.18 A personal income test applies to all Austudy recipients. In 1991 students may earn $4000 during the calendar year after which Austudy is reduced by $1.00 for each extra $2.00 earned.

1.19 To be classified as independent of parents a student must be:

- aged 25 or over or married; or
- living in a defacto relationship of which there is a child; or
- homeless; or
- employed full-time for at least three years out of the previous four.

1.20 There is an away rate of allowances for:

- tertiary students who have to live away from home to study due to distance, course requirements or difficult home conditions;
- for secondary students who have to board away from home due to isolation, disability or itinerant parents, and
- for students who are doing a special type of course.

1.21 The amount of maximum rate of allowance paid under Austudy depends on whether a student is assessed at the standard, away or independent allowance rate and whether he or she is 16-17 years, 18 and over or eligible to receive a special rate. The rates for 1991 are shown in Table 1.2.

TABLE 1.2 WEEKLY MAXIMUM AUSTUDY ALLOWANCES 1991

Rate	16-17 Years	18 and over	Special
	$	$	$
Standard	62.05	74.55	88.40
Away	102.40	113.25	134.30
Independent	102.40	113.25	134.30 (159.75 for sole parents)

Source: Department of Employment, Education and Training.

Audit Report

1.22 During 1988 the Australian National Audit Office conducted investigations at various DEET offices. The objectives of the audit were to examine Austudy application processing arrangements, benefit control measures and the management of the staff and computing services, with a view to identifying any changes which could achieve:

- more timely and efficient provision of assistance;
- greater assurance that correct payments were being made, and
- more economical and productive use of staff and computing resources.

1.23 Earlier audit reports had been critical of the development of the computing system and user training. These reports were also critical of the lack of effective controls to minimise the risk of over payment.

1.24 The 1988 report contained 124 recommendations covering most aspects of Austudy administration (including processing, inquires, benefits control, and computing facilities) since the inception of the scheme in 1987. The audit did not examine the effectiveness of the program in achieving its policy objectives.

1.25 The Audit Office found that in 1989 generally applications from students were processed in an efficient and timely and accurate fashion. The unacceptable delays experienced in 1987 were not repeated in 1988 or 1989. By 1989 the target turn around time of three weeks was met, (with the important exception of the Melbourne office) stricter minimum processing requirements were complied with and the quality of assessment had improved. However many applicants likely to face delays were still not notified of the fact. There were significant delays particularly in processing re-assessments. The major weak point in Austudy processing was inquiries.

1.26 The Audit Office found that the efficient and effective management of Austudy processing work loads was affected by the complexity of the eligibly rules and that existing staffing resources could be used more productively if Austudy rules were simplified and work load peaks reduced.

1.27 Compliance surveys undertaken by DEET in 1988 had identified that between 12 per cent and 27 per cent of students receiving assistance under the different schemes were overpaid in 1988. In tertiary allowances alone potential over payments of at least $40 million per annum were indicated. While DEET had undertaken several major measures to reduce the incidence and magnitude of over payments there were three primary areas where action was most urgently required:

- to decide a strategy for verification of personal incomes;
- to establish arrangements with the Australian Taxation Office for verifying parental incomes, and
- to verify enrolment details.

1.28 As well as weaknesses in controls designed to minimise external fraud, the controls designed to prevent accidental overpayments or internal fraud were unsatisfactory. The Audit Office found that major continuing weak point in Austudy benefit controls was the recovery of overpayments.

1.29 The Austudy staffing formula did not reflect workload requirements and the effectiveness of staff training was affected by limited lead times and inadequate coordination and performance monitoring. The Audit Office was also critical of some aspects of the computing system.

1.30 The Audit report acknowledged that DEET generally agreed with the findings of the report and had already planned to introduce a number of reforms. The report further commented that DEET's action in overcoming the

shortcomings should result in a substantial reduction in the risk of fraud and overpayment and the more efficient use of staff and computing resources.

The Inquiry

1.31 On 23 May 1990 the Minister for Employment, Education and Training referred the Auditor-General's report to the Committee for inquiry and report. On 31 May 1990 the Committee agreed to accept the inquiry with the following terms of reference:

- the provision, administration and effectiveness of student financial assistance schemes with particular reference to the findings of the Auditor-General's report on the administration of the Austudy program (Audit Report No. 24, 1989-90).

1.32 Submissions received covered a wide range of issues but only a few of those submissions were opposed to the concept of student financial assistance. The main issues covered in the submissions included:

- complexity of the program;
- eligibility criteria particularly relating to independent status;
- income and assets testing;
- differences between Austudy and Department of Social Security rates of payment;
- assistance for rural students;
- apparent payment of benefits to those who could well support the costs of their own education;
- payment to students with little interest in staying at school;
- delays in processing and answering inquires, and
- the provision of incorrect information by DEET staff.

2 AUSTUDY EFFECTIVENESS

Introduction

2.1 The National Union of Students stated that one of the basic problems in any historical overview of Commonwealth financial support to students was that there has never really been a comprehensive statement by the Commonwealth as to what the policy intentions were for either TEAS or Austudy. It appears however that when the program was established its intention was to meet basic living expenses. The Union observed that the scheme gradually changed from one of supplying full income support to one of income support which was to be supplemented by the parents and/or part-time work.

2.2 The Minister when introducing the student assistance legislation in 1973 observed that student allowances ought to be sufficient to give students the leisure to think as they pursued their studies. TEAS allowances in particular should therefore be sufficient to meet basic living costs.[1] On the other hand officers from DEET told the Committee that in a policy sense student assistant benefits have never been argued to be a full living rate allowance. They have always assumed a measure of support either from parental sources or by personal effort.

2.3 The stated objective of the Austudy program is to overcome financial barriers to continuation of secondary and tertiary education by providing income support to financially disadvantaged students undertaking full-time studies. Specific program goals are to increase:

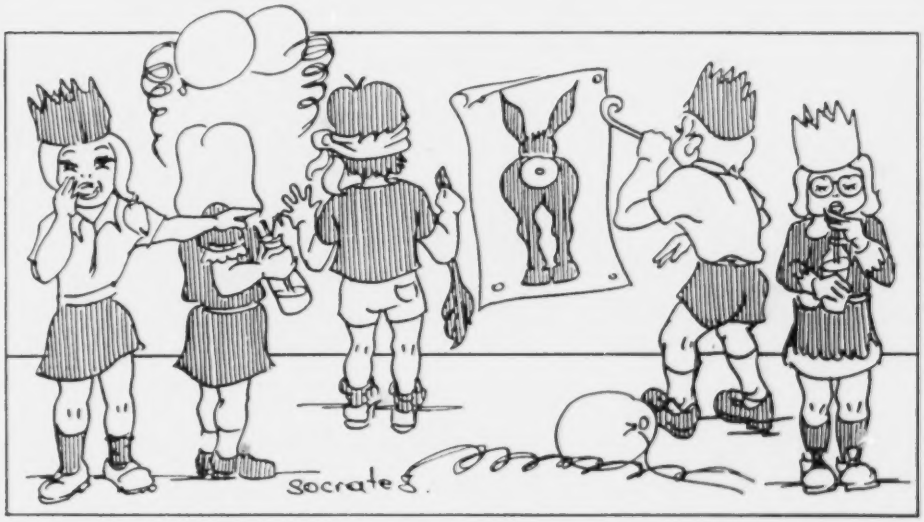
- overall retention rates in the post compulsory secondary school years and participation rates in tertiary education, and
- higher education participation rates of the financially disadvantaged.

---

[1] Department of Employment, Education and Training, *The Tertiary Education Assistance Scheme*, AGPS, Canberra, 1988, p. 4.

2.4 The Department of Finance (Finance) advised that the mechanisms put in place to achieve these objectives (ie Austudy, Abstudy, IAC) have not been evaluated to determine their effectiveness. Finance considered that there was a need for an evaluation of the program's efficiency as well as its effectiveness in reaching its objectives. Such an assessment would be additional to any consideration of the administrative efficiency of the current schemes which was of concern in the Auditor-General's report.

2.5 The Auditor-General's report No. 24, 1989-1990 relating to administration of the Austudy program examined only administrative efficiency and not program effectiveness. A review of the Assistance to Isolated Children program is currently in progress and a joint review of Abstudy administration was finalised by Finance and DEET during 1989/90 and a review of the Austudy staffing system is currently being finalised with DEET, Finance and the Public Sector Union.



'Austudy/Abstudy/AIC have <u>not</u> been evaluated for their effectiveness'
Department of Finance

Retention and Participation Rates

2.6 DEET advised that in order to assess the effectiveness of Austudy against its objectives, two key areas need to be considered:

- the take-up rate by eligible students and to a lesser extent the coverage of Austudy, and
- the effect of Austudy on secondary retention and completion rates and tertiary participation rates.

2.7 A commonly used measure of Austudy take-up rates is calculated by dividing the number of Austudy recipients by the size of the corresponding full-time student population aged 16 and over. This figure is of limited value as it includes the total student population most of whom would not be eligible for Austudy. DEET considered that the correct measure of take-up is the proportion of eligible full-time students actually receiving Austudy. It is not possible to calculate this rate without collecting detailed personal information on non-recipients of Austudy and their families. Such a study has not been undertaken because of competing priorities. It was DEET's belief however that the correct take-up rate was very close to 100 per cent for students in higher education but somewhat less in secondary education and TAFE. Unfortunately there is no clear evidence available to support this belief.

2.8 DEET provided information which in its view indicated that the aim of improving access to education was almost certainly being met. The figures in Appendix 3 show that participation rates in all education sectors are increasing and in fact accelerated following the introduction of Austudy in 1987. All governments are currently working towards achieving a Year 12 retention rate of 65 per cent by 1992. In recent years Australia has experienced rapidly increasing Year 12 retention

and completion rates and increases in secondary and tertiary participation rates. DEET stated that:

> These are impressive trends and although the precise contribution of student assistance to these trends cannot be quantified, the contribution has been important.[2]

2.9 Year 12 retention rates have increased from the pre-Austudy figure of 48.7 per cent in 1986 to 60.3 per cent in 1989. If this trend continues it is expected that the Government's goal of achieving a 65 per cent retention rate by 1992 will be met. The trend in retention rates is shown in Table 2.1.

TABLE 2.1 APPARENT RETENTION RATES OF SECONDARY STUDENTS TO YEAR 12

	1976	1985	1986	1987	1988	1989
		(per cent)				
All students	34.9	46.4	48.7	53.1	57.6	60.3
Males	34.6	43.5	45.6	49.4	53.4	55.5
Females	35.3	49.5	52.1	57.0	61.8	65.2

Note: The Year 12 apparent retention rate expresses the number of students in Year 12 as a proportion of the corresponding group enrolled in the first year of secondary education the appropriate number of years before.

Source: Department of Employment, Education & Training.

2.10 Another indicator of the relative effectiveness of Austudy in achieving its objectives of improving education outcomes is the estimated Year 12 completion rate. This rate is the number of Year 12 students who receive a certificate as a proportion of the estimated population that could attend Year 12 in the calendar year. Graph 1 shows that the overall completion rate has increased substantially between 1984 and 1989 (from 43 per cent to 58 per cent) and that these completion rates are clearly increasing for each socio-economic status level.[3]

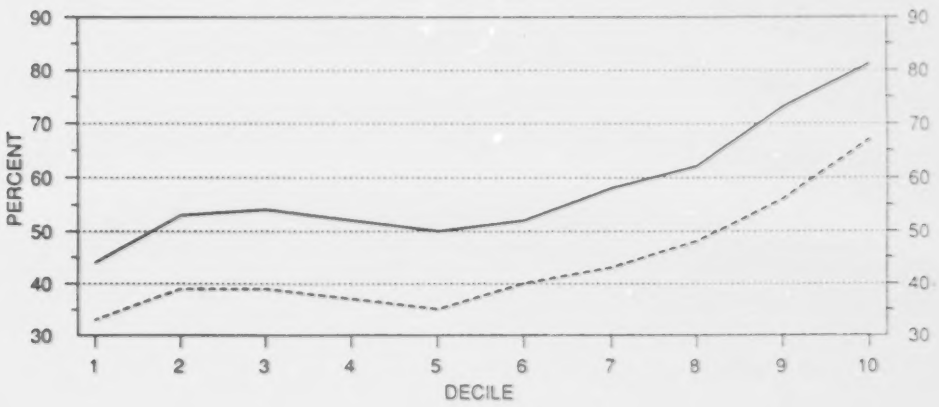
---

[2] Department of Employment, Education and Training, *Submission*, p. 28.

[3] The socio-economic status indicator, developed from census data, incorporates variables such as income, education, occupation, wealth and power/prestige measures.

2.11 The graph also clearly shows that while the retention rate for each level has increased, the difference between higher and lower levels has remained constant. If Austudy played a significant part in influencing completion rates one would have expected the rates at the lower levels to have been significantly higher. DEET however explained that without Austudy support the gap between the high and low levels would have continued to widen. The Committee has no way of evaluating this claim as no data was provided (and is probably not available) to support this view.

GRAPH 1 ESTIMATED YEAR 12 COMPLETION RATES BY SES DECILE 1984 AND 1989



1984 ----- 1989 ____
1984 total 43% 1989 total 58%
Source: Department of Employment, Education and Training

2.12 The Committee's previous report on retention rates, the Restless Years,[4] and submissions to this inquiry noted that a young person's chance of full secondary education could be critically affected by whether they attended a government or private school and whether they lived in a city or in the country. In 1988 the retention rate for government schools was just over 50 per cent while that of independent schools was nearly 100 per cent. Completion rates for urban students

[4] House of Representatives Standing Committee on Employment, Education and Training, *The Restless Years: an Inquiry into Year 12 Retention Rates*, AGPS, Canberra, 1989.

in 1989 was 59 per cent with rural students lower at 54 per cent.

2.13 A study commissioned by the former Commonwealth Tertiary Education Commission concluded that:

> By and large, patterns of participation in higher education of the major social groups in Australian society reveal much the same inequalities today as they did in pre-war years. Few children from poor families complete Year 12;
>
> TAFE students predominantly come from working class families and state schools; the most prestigious institutions are populated by students who are relatively young, and have the advantages which a high level of parental education, income and socio-cultural capital bring.[5]

2.14 The Committee on Higher Education Funding found that there had been little change in the socio-economic mix of the student body since the abolition of fees and the introduction of non merit based student assistance.[6] A review by DEET in 1988 of the achievements of TEAS found that TEAS made a significant contribution in assisting women mature-age students, and students in TAFE. Access to full-time study was enhanced by the availability of income support.[7]

2.15 Much of the data relating to socio-economic mix referred to in the previous paragraphs is dated and the situation in 1991 may have changed significantly. The Committee has no way of knowing whether this is the case as up-to-date information was not provided. It is likely that the data does not exist.

2.16 A study conducted by the Institute of Family Studies into youth incomes and living costs found that it was not clear whether Austudy acted as an incentive for young people to remain at school but it certainly assisted low income families to

---

[5] C Power, F Robertson and M Baker, *Access to Higher Education: Participation, Equity and Policy*, Tertiary Education Commission, Canberra, 1986, pp. 171-172.
[6] Committee on Higher Education Funding, *Report*, AGPS Canberra, 1988, p. 5.
[7] DEET, 1988, op cit., p. 57.

maintain their children at school. The Institute found that:

> In fact it was an essential part of the household income in many families. Young people in low income families contribute part of their Austudy to the family directly as board or made a general contribution to household expenses. Austudy was generally not used exclusively for educational expenses.[8]

2.17 The Institute concluded however that Austudy did not appear to be an incentive for young people to return to education, particularly for those who perhaps need that opportunity most, that is, those who had left school before the completion of secondary education. The Committee was advised that students enrolled externally in senior secondary courses in Queensland and who are under the age of 19 are precluded by education authority regulations from undertaking external study full-time. These students cannot receive financial assistance because Austudy is not available for part-time study.

2.18 Students are ineligible for Austudy support if they are below age 16. DEET argued that this does not adversely effect retention rates because the rates are highest in those states where many students enter Year 11 aged 15. While it is noted that many lower income families would be receiving the Family Allowance Supplement, the Committee finds DEET's arguments confusing and inconsistent. Elsewhere, DEET argues that Austudy has a positive effect on retention rates yet here argues that it has none.

2.19 DEET has commissioned a number of small studies in recent years aimed at assessing the effect of Austudy on continuing education of various groups of students. Some of the results of these studies were that:

- 17 per cent of a sample of students who were undecided about leaving school and 10 per cent of those who intended to leave continued at school because of Austudy;

---

[8] Australian Institute of Family Studies, *Submission*, p. 1.

- 13 per cent of a sample of parents in Western Sydney stated that their children would not be studying full-time without Austudy, and
- tertiary students who withdrew from study were less likely to have received Austudy.

2.20 The data shows that there has been a continuing increase in the proportion of Austudy recipients who receive only part benefits. This trend is shown in Table 2.2.

TABLE 2.2 PART AND FULL ALLOWANCES 1988-90

Allowance	1988 per cent	1989 per cent	1990 per cent
Tertiary			
Full allowance	57.0	47.3	46.5
Part allowance	43.0	52.7	53.5
Secondary			
Full allowance	67.8	45.0	40.2
Part allowance	32.2	55.0	59.8
Adult Secondary			
Full allowance	87.5	79.3	78.8
Part allowance	12.5	20.7	21.2
All			
Full allowance	63.0	46.8	44.0
Part allowance	37.0	53.2	56.0

Source: Department of Employment, Education and Training.

2.21 Between 1988 and 1990 the proportion of students on part allowance has increased from 37 per cent to 56 per cent. This trend is even more pronounced at the secondary level where the proportion has increased from 32 per cent to 60 per cent. DEET stated that these trends could not be explained by changes in the operation of Austudy. Many of these students would be receiving very small allowances. The Committee doubts if the payment of these small allowances has any effect on retention or participation rates.

2.22 DEET commented that it was important to realise that the objectives as stated do not expect Austudy in itself to improve retention and participation rates. Rather DEET believed that:

> Austudy provides the financial assistance to permit people to make the decision to continue in education. In other words, traditional factors such as career choice, job opportunities and family perceptions can produce logical decisions to continue in education, once the issue of financial support is resolved. Financial assistance therefore plays a supporting but important role in the decision-making process.[9]

Performance Indicators

2.23 The Department of Finance advised that in the case of income support programs the concepts of effectiveness and efficiency need to be considered in a particular way. One aspect concerns the efficiency of the bureaucratic systems in administering the approval and payment of entitlements, that is, administrative efficiency. Another essential aspect is that of program efficiency. That is, the cost in program outlays, as distinct from administration costs, of achieving the objectives of the program. Finance stated that:

> Thus, in addition to examining the administrative efficiency of the schemes, we believe that the evaluation should consider the programs' effectiveness (the extent to which the objectives of the program are achieved, in this case through changing the behaviour of individuals) and the program efficiency of achieving that change (ie how well the assistance is targeted to those in need).[10]

2.24 Finance believed that there were several fundamental issues which should be addressed in any assessment of effectiveness. These were:

- does income support actually improve education outcomes and access;

---

[9] DEET, *Submission*, p. 25.
[10] Department of Finance, *Submission*.

- what equity goals have been achieved and the effect of other changes, particularly those in the labour market;
- would the same results have been achieved without assistance or with lower levels;
- alternative forms of assistance; and
- effectiveness of income and assets tests in targeting.

2.25 To enable judgements to be made concerning the effectiveness of student financial assistance adequate information needs to be available. DEET's current performance indicators emphasise processing efficiency rather than targeting efficiency or program effectiveness. Processing efficiency is dominated by targets for turn-around times. Program effectiveness indicators are confined to increasing school retention rates and participation of particular age groups in higher education. These indicators can be distorted by other factors, such as prevailing labour market conditions or the types of courses offered in senior years and alternative training opportunities.

2.26 Finance suggested that additional performance indicators might be:

- the social composition of students in higher education and schools over time before and after the introduction of Austudy;
- comparative participation and completion rates for the whole population and disadvantaged groups over time;
- the relationship between education retention and the labour market, and
- the relationship between independence and dependence in determining student numbers being assisted.

2.27 DEET advised that recent initiatives either undertaken or in the planning stage will provide useful information on the Austudy take-up rate and the effects of Austudy. A series of questions regarding Austudy were included in the Australian

Youth Survey Program for 1990. The purpose for the inclusion of questions on Austudy was to:

- estimate the true take-up rate of Austudy among the age groups interviewed;
- determine the reasons why eligible students and their parents were not applying for Austudy, and
- to provide information regarding Austudy's role in assisting young people to continue their schooling.

2.28 The results of this survey will be available this year. In addition, a survey of student finances will be conducted during 1991. The survey will collect information on:

- the family background and socio-economic status of the student;
- the type of course and institution the student attends;
- the sources of their income (including Austudy and income from part-time work or parental support), and
- the expenditure of students including living expenses, education related expenses and contribution to family expenses.

2.29 The data will allow a better understanding of the financial position of students and permit a limited analysis of whether Austudy is reaching students for whom it is designed, and enable some evaluation to be made of the extent to which Austudy alleviates financial disadvantage.

2.30 The Committee accepts that there are some difficulties in measuring the effectiveness of Austudy, particularly take-up rates. It is unacceptable however that apart from a few isolated surveys no real attempt has been made by DEET to establish if the program is meeting its stated aims. While the surveys outlined in the previous paragraphs will provide useful information, they do not fully address the 'fundamental issues' believed by the Department of Finance to be essential in any

assessment of effectiveness. In addition, the surveys will only provide limited data on take up rates. No real assessment of the effectiveness of Austudy or alternative means of student assistance can be determined without proper performance indicators. These do not exist. In the absence of detailed data the Committee has been asked to accept DEET's subjective assessments of the program's effectiveness. It is difficult to accept that the Parliament is required to allocate hundreds of millions of dollars each year (over $1 billion in 1990-91) to a program for which few objective measures of effectiveness are available.

2.31 Accordingly the Committee recommends that:

- **the Government develop clear policy objectives for student financial assistance.**

2.32 The Committee further recommends that:

- **the Department of Employment, Education and Training develop performance indicators in line with the Government's policy objectives, and**
- **the Department of Employment, Education and Training undertake an assessment of the effectiveness of student financial assistance programs in achieving their objectives.**

Alternatives to Austudy

2.33 Any examination of program effectiveness must include an examination of alternative approaches. While the Committee received only a few submissions which did not support student financial assistance programs, information was obtained about programs of student support which operate in other countries - programs which may offer cost effective and equitable alternatives to the student financial support available to Australian students.

2.34 The Committee discusses in Chapter 5 the use of student loans as an alternative and/or a supplement to grants schemes. In a number of countries there has been a move away from grants schemes towards loans. In general it appears that Government subsidised loans schemes are expensive and have a high default rate. In times of recession considerable hardship is caused for graduates who cannot find employment.

2.35 Another option to a grants only system would be the introduction of taxation rebates or a combination of taxation rebates and allowances. A number of overseas student finance systems have a defined parental contribution where the Government calculates an annual figure for a student's cost of living, subtracts its own contribution and any expected student contribution, and defines the remainder as an expected parental contribution. Where governments expect parental contributions, they provide significant tax incentives to parents. Approximately one half of UK parents make a defined contribution to the student. Parents are not taxed on this amount and are also entitled to claim this amount as a tax deduction. In Germany, parents with children enrolled full-time in higher education receive both tax concessions and child allowances while French parents also receive tax concessions.

2.36 In examining alternatives to the current grants scheme it is necessary to determine the purposes of financial assistance. The Commonwealth's financial assistance to students aims to promote equality of educational opportunity and improved educational outcomes for disadvantaged students and is therefore directed to lower income groups. The Australian Tax Office told the Committee that the tax system could only return to people what they actually paid. A person with an income of say, $20 000 might pay approximately $5 000 in tax which is only just equivalent to their Austudy entitlement. The sole use of the tax system could not take account of the lowest income families with a number of children who might all be eligible for full Austudy allowances.

2.37 The use of the taxation system would mean a major shift in the policy of targeting by making the scheme universal. A rebate would be available to all tax payers and be of greater benefit to those on the highest incomes. Tax deductions would be of little or no benefit to very low income earners and those who pay no tax at all such as those on unemployment benefits. It would be highly regressive. The benefit is directed to the tax payer rather than to the student. Another serious anomaly would be that parents of those students who are not considered independent in terms of current Austudy eligibility criteria, but are not supported by their parents, would be entitled to a deduction even though they were not contributing to the cost of the children's education.

2.38 The Committee notes that there are a number of possible solutions to these difficulties but these are highly complex. First, those who pay little or no tax could continue to receive a full allowance. In other cases a combination of deductions and allowances could be used. For the program to be targeted, a maximum income level could be determined beyond which no deductions were allowable.

2.39 The Committee agrees with the conclusions of the Committee on Higher Education Funding that although the lessons to be learnt from overseas experience are valuable and instructive, it is important to recognise that they are products of education systems and political and social cultures which differ from those in Australia. As noted previously there is little firm data to indicate whether or not Austudy is achieving its objectives. Without this data it is not possible to make a judgement as to whether alternative approaches such as loans and taxation deductions would be any more effective than the current arrangements. In Chapter 3, the Committee concludes that the existing program could be made more effective by increasing the level of parental income allowable for full Austudy entitlements and by greatly reducing the level of parental income where all allowances cease. There may be some value in introducing a loans scheme for those who are above the cut off point for Austudy. The loans however should apply to tertiary students only.

Taxable Income

2.40 To ensure that financial assistance is directed to those most in need, Austudy is subject to both income and assets tests. For dependent students to receive full Austudy benefits in 1991 the combined parental taxable income must have been $19 300 or less in 1989-90.

2.41 The concept of student financial support was overwhelmingly supported in evidence to the Committee but some people believed that some families who received Austudy could well afford to meet their own education costs. One submission provided details which indicated that a family of four with one principal bread winner was in severe financial disadvantage compared to a similar family who could distribute their income by means of a family business. The figures provided also showed that in certain circumstances a family with an entitlement to Department of Social Security benefits were in a better financial position than their PAYE counterpart.[11] Another submission stated:

> While there are plenty of self employed parents (farming and business) who are genuinely in need of assistance, there is also a percentage who are providing their student children with cars and other luxury items, taking overseas holidays and displaying obvious wealth whilst their children are receiving an Austudy allowance when their parents have the means to support them, so it would seem that these parents have the capacity to 'engineer' their incomes.[12]

2.42 The Australian Taxation Office told the Committee that there were a variety of reasons why for many tax payers the level of their taxable income may not be a reliable indicator of their ability to meet education expenses. One such factor was the increasing incidence of fringe benefits to employee tax payers. For the year ended 30 March 1990 total fringe benefit tax payable by employers amounted to over

---

[11] Queensland Council of Parents and Citizens' Association, *Submission*.
[12] Private submission

$1 billion. This tax represented benefits totalling $2.3 billion. Under the present system there is no means of determining fringe benefits being paid to individual tax payers as companies are not required to report the amount paid to each employee.

2.43 There has been a marked shift to incorporation over the last few years, resulting in tax payers in business using private companies as a vehicle for organising their tax affairs. It was suggested that employees who worked for their own company may not distribute income earned by the company. If for instance the Austudy allowance was to be paid for a number of years, these owners\employees may see value in retaining company income within the company over the three year period and then pay it out when Austudy was no longer required. In another example the Tax Office said that:

> If you are an employee of your own company, you could use that mechanism to pay yourself fringe benefits. The company would be liable to pay fringe benefits tax, but you as an individual would not have to declare those fringe benefits.[13]

2.44 The existing income tax laws also allow for tax deductions which provide sufficient evidence to question the reliability of 'taxable income' as an indicator of their ability to support their student children. These items include:

- non-employer sponsored superannuation;
- film industry/management and investment companies;
- rental losses on account of negatively geared rent producing property, and
- prior year losses recouped.

2.45 Table 2.3 shows the numbers and amounts for each of these categories.

---

[13] Transcript, p. 374.

40

TABLE 2.3 TAX DEDUCTION ITEMS 1988-89

Item	Number receiving benefit	Amount
	'000	$M
Superannuation	895	1,091
Film Industry/MIC	4	24
Negatively geared property	490	1,200
Prior year losses	87	1,939

Source: Australian Taxation Office

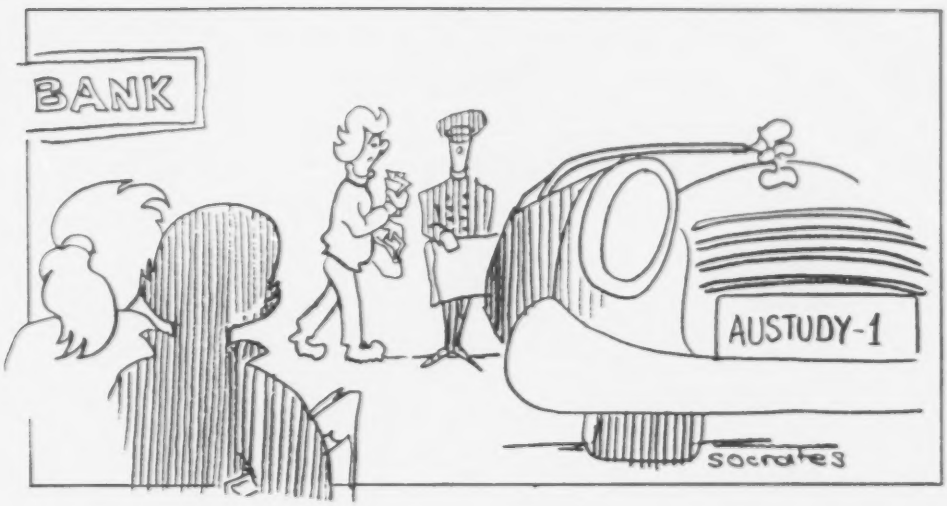
2.46 In addition under existing taxation law certain eligible termination payments are assessed only to the extent of five per cent. For 1988/89 some 300 000 tax payers were assessed on this basis. The Tax Office advised that this represented a total income of $3 344 million not included in taxable income. One aspect which was clarified was that the imputation credit on fully franked dividends is included as taxable income and therefore would be taken into account when assessing eligibility for Austudy.

2.47 While these deductions are legitimate for taxation purposes, they are difficult to justify as allowable deductions in determining eligibility for student support, which as stated previously, attempts to target the economically and socially disadvantaged. It is the Committee's view that such deductions should not be ignored when family and other income is assessed. The difficulty for Austudy assessors is to obtain the information. Income from family companies and trusts must be adjusted to equate to those of PAYE taxpayers without other sources of income. The Committee also considers it essential that any fringe benefits received be included in the income test but notes that even the Tax Office cannot provide this information for individual tax payers at this stage.

2.48 Taxable income is an administratively simple means of assessing Austudy eligibility. The Committee believes however that in many cases it is an

extremely poor measure of a person's ability to meet education costs. The Committee considered the question of the use of gross income as a means of assessing Austudy eligibility. This would be appropriate for PAYE taxpayers but for the self employed it still presents problems as to what should be allowed as business deductions. The Committee recommends that:

- **tax deductions derived from negatively geared property, superannuation and prior year losses be excluded as allowable deductions for the purposes of student financial assistance eligibility;**
- **the value of fringe benefits be included as income, and**
- **the Department of Employment, Education & Training discuss with the Australian Taxation Office the most effective means to obtain details of fringe benefits received, allowable deductions and income received from trusts and companies.**



'The aforementioned information provides sufficient evidence to question the reliability of 'taxable income' as an indicator of eligibility for student support' Australian Taxation Office

421

2.49 Another matter which is of concern to the Committee is that while independent students are subject to assets testing, dependent students are not. The Committee finds it unacceptable that dependent students who have extensive assets should be eligible for financial support. Accordingly the Committee recommends that:

- **the Department of Employment, Education and Training include dependent students' assets when assessing eligibility.**

2.50 The recommendations in this section of the report have implications for all government means tested payments. The previous recommendations reflect the Committee's views on targeting by the use of taxable income as a measure of a person's ability to pay. Even if certain deductions are disallowed for Austudy purpose, the Committee considers that there may be more appropriate means of determining eligibility. It is the Committee's view that the Government should examine the feasibility of using other indicators of financial ability, particularly for non PAYE taxpayers.

131

3 ELIGIBILITY CRITERIA

Parental Income Test

3.1 To be eligible for full Austudy allowances the income of parents of students who are not classified as "independent" must be $19,300 or less. There are two forms of concession to this income test. A dependent child deduction applies to children under 16 or to full time students aged 16 to 24 dependent on parental support but not for Austudy. A sibling concession applies for a brother or sister who is over 16 years of age, is in a full time secondary or tertiary course approved for Austudy purposes and is not independent. Details of the parental test are shown in Table 3.1.

TABLE 3.1 PARENTAL MEANS TEST PARAMETERS 1991

Dependent Child Deductions	
first child	$1 200
each additional child	$2 500
Abatement Rate	
no sibling	$1 in $4
one sibling	$1 in $8
two siblings	$1 in $12
three siblings	$1 in $16

Source: Department of Employment, Education and Training

3.2 Allowances are paid until such time as the benefit entitlement falls below $50 per year. In the case of a family with one child 16-17 years of age at home, the allowance ceases at $32 000. One effect of the sibling concession is that it enables some families on relatively high salaries to receive some assistance under Austudy. A family of five children for instance could earn $112 000 before the allowance ceases (see Appendix 4).

3.3 Many submissions were critical of the level of the parental income test. The Australian Council of Social Service stated that the test assumes that families with incomes over the threshold have the capacity to provide support. Research conducted by the Institute of Family Studies found that:

> Families need a much higher income than single people to have the same standard of living. Calculations by the AIFS in 1987 indicated that a family with children needed $41,000 to have the same standard of living as a single person on $19,500, that is, just over twice as much. There is a strong argument that the cut-off point for Austudy needs to be somewhat higher to include many families who will have difficulty even partially supporting their older children.[1]

3.4 The Committee received no information on how the level of parental income was established. In the final year of the Commonwealth Scholarship Scheme family income was set at 88 per cent of average weekly earnings. In the first year of TEAS family income was equal to average weekly earnings but had declined to 74 per cent in 1986. In 1990 the Austudy parental income had further declined to 64 per cent of average weekly earnings.

3.5 The current parental income formula used to assess eligibility for Austudy allowances is in need of re-examination. The Committee agrees that the threshold at which allowances are reduced is too low. A number of submission argued that the level should be set at average weekly earnings. While the Committee has sympathy with this view it believes that the current budget constraints would not make this possible. The Committee notes that for all but four years of the operation of TEAS the family income levels were at least 80 per cent of average weekly earnings. The Committee considers that the level should be at least 75 per cent of male average weekly earnings. In 1990 this was an annual wage of approximately $21 000.

3.6 The Committee considers that the maximum incomes at which allowances cease are too high. The Committee commented previously on students who are on

---

[1] Australian Institute of Family Studies, *Submission*, p. 3.

part allowances, some on less than one dollar per week. The payment of such small allowances would have little impact on decisions to continue education. It is the Committee's view that the abatement rates must be adjusted to better target lower income families. An appropriate level for benefits to cease might be twice male average weekly earnings which in 1990 was an annual wage of approximately $56 000. The Committee also believes that there should be a stepped rate of abatement, with the abatement rate increasing as income increases. The Committee believes that the minimum benefit should be set at $20.00 per week.

3.7 Accordingly the Committee recommends that:

- **marginal adjusted family income be increased to seventy-five per cent of male average weekly earnings ($21 000 in 1990);**
- **the abatement rate be revised to provide for a stepped rate;**
- **eligibility for Austudy allowances cease at twice male average weekly earnings ($56 000 in 1990), and**
- **the minimum allowance be $20.00 per week.**

Assets Tests

3.8 Assets tests were introduced in 1989 to limit the opportunities for better off families with low taxable incomes to qualify for Austudy benefits. The tests were aimed at identifying families with considerable assets and who might be able to meet the education costs of their children. A 1990 budget decision to lower the assets threshold to $200 000 has been reversed and the assets threshold for 1991 is now $347 500. The Committee estimates that the cost of abolishing the assets test would be in the order of $40 million to $50 million per year.

3.9 Only 50 per cent of the value of assets of a business or farm in which the parent works are taken into account. This means that where only business and farm assets apply these may be worth up to $695 000 (net) before the benefit is affected.

Assets are assessed at their net market value, the price expected if the assets were sold less any associated debts.

3.10 Rural Australians have lower participation rates in education and training than their metropolitan counterparts. Sheer distance, low population densities and widely disparate populations make it difficult for many people outside capital cities or major urban centres to gain access to education and training. The Department of Primary Industry and Energy stated that Austudy has a vital role in facilitating the participation of rural students by easing the financial strain associated with study.

3.11 The Department of Primary Industries and Energy stated that the assets test has been a constant source of frustration for agricultural producers. Agricultural industries in 1989/90 were estimated to have had a rate of return, excluding capital appreciation, of 2.5 per cent. This means that in spite of having significant assets holdings many farmers have low incomes. Farmers have little or no control over the prices they receive for their produce. The Department advised that for 1990/91 the net value of production will fall between 60 and 65 per cent. This is mainly due to falls in commodity prices which are determined by overseas markets. The Department concluded that fluctuations in world markets are likely to continue while the international trading environment remains distorted.

3.12 A report on rural Austudy concluded that the claim that the introduction of the assets test could be justified for reasons of equity requires more careful investigation from the point of view of people living in rural areas, particularly farmers. The report commented that there was cause for concern when farmers and owners of small businesses in rural areas were entitled to Austudy payments for their children on the basis of income tests but did not receive them because their

assets were reported to be over the limit. The report also points to difficulties in assessing assets for Austudy purposes.[2] The report states:

> The placing of a market value on farming land is a highly contentious issue. The Review of Assets form defines market value as the amount you would expect to get if you sold the asset today. Valuers determine market value of farms, in part, by taking into account what properties in the area have sold for recently. This practice can lead to anomalies.
>
> The large discrepancy between the value of the property which appears on the rate notice and the predicted value a valuer might put on it serves to highlight some of the difficulties and anomalies which have arisen in the introduction of the assets test.[3]

3.13 One such anomaly was described as follows:

> One farmer interviewed owns a property that has been passed down through three generations relatively close to a country town with a population of approximately 8000. In recent years there has developed the practice of buying farmlets close to the town and the farmer's property. The farmlets are 1 to 3 hectares in size and sell for up to $3000 per hectare. This has had the effect of increasing the value of the farm enormously in comparison with the value of what it produces and the income earned from it. Buyers of land can afford to pay a high price per hectare for small areas, the price per hectare decreases if the land is sold in large areas. In this case the value of the asset is such that an AUSTUDY entitlement is not available.[4]

3.14 The National Farmers Federation argued that while the assets test might be a convenient measure it was a less than perfect indication of ability to support a family and provide for the education of children. Net asset levels gave no indication of capacity to borrow to overcome a temporary income short fall. A farm worth $700 000 totally unencumbered may adequately support a family and have

---

[2] The Country Education Project, *Austudy Rural Inequities*, Bendigo College of Advanced Education, 1990.
[3] ibid, pp. 53-54.
[4] ibid, p.53.

some capacity to borrow. However, a farm worth $800 000, carrying a $100 000 debt, would be in serious financial difficulty and have no capacity to service additional debt.

3.15 The Federation stated that the assets of a farm and many other small businesses are not readily divisible or saleable as a means of providing living expenses. Sale of part of a farm may render the remainder too small to be viable. In a recessionary environment business assets, especially in agriculture, may not be readily saleable at any realistic price. Seventy-five per cent of farms have net assets exceeding $400 000. About 50 per cent of farms have net assets exceeding $700 000 with an average net asset of $910 000.

3.16 In addition the Federation urged that the asset limit should be raised progressively as income falls below the income test limit. The Federation suggested that the Austudy and AIC asset limit should be raised by $25 000 for every $3 000 by which income falls below the income limit (business assets to remain subject to 50 per cent valuation). This would overcome the equity problem in which a family just beneath both the asset and income limits is more favourably treated than a family in demonstrably worse circumstances that has no income but assets slightly above the limit.

3.17 While the Committee believes that there is merit in the Federation's proposal it is reluctant to bring further complexities into an already complex program. The Committee notes that farmers can have their assets revalued at any time. The current down-turn in the rural economy is likely to reduce the value of rural properties which will mean that many rural families with assets previously marginally above the assets level now will be eligible for Austudy.

3.18 An alternative to modifying the assets test could be the introduction of a HECS style scheme which would allow those with assets over $700 000 to receive Austudy and repay the outstanding monies at a time when either the student or parent had the resources to do so. Even in this recession a farmer with assets over

$700 000 would expect those assets to generate a reasonable income some time in the next decade. Alternatively, the student could assist with repayments when his or her qualifications and employment made it possible.

3.19 The Minister for Higher Education advised the House of Representatives that there was no direct link between the assets and income tests such as an expected net return on capital. In any consideration of assets levels it was necessary to take account of factors other than income generated, such as potential capital gain, ability to negotiate short-term loans using the asset as security, and ability to sell off all or part of the asset. To avoid unnecessary complexity in the assets test the Government had set a threshold well above the limits under Social Security pensions and benefits, and applied a sudden death cut-off. As a result, it was possible to avoid the introduction of abatement rates and dependent child deductions to the Austudy and AIC assets test (Hansard 12 February 1991).

3.20 The Committee does not support the selling of farms because of a temporary down turn in the rural economy so that parents can educate their children. Rather than liberalising the assets test the Committee believes that a partial solution lies in providing assistance through the Assistance for Isolated Children Scheme.

3.21 The Isolated Children's Parents Association told the Committee that the original intent and value of the A.I.C. Scheme living-away-from-home allowance was to ensure that geographically isolated children could have equality of access to appropriate schools and the allowance was struck at a level which would meet the difference between their costs of living away from home and the costs of maintaining them at home. The levels of allowances payable in the first year met those criteria. Since then, the value of allowances has decreased in direct proportion to increases in educational costs.

3.22 To be eligible for assistance under AIC, students must:

- meet the specific geographical isolation criteria or those applying to the other special categories (such as children with disabilities);
- normally be under 16 and dependent on their parents; and
- be in full-time attendance at an approved institution in Australia and undertaking an approved course at primary or secondary level or undertaking in Australia an approved full-time correspondence course at primary or secondary level.

3.23 AIC provides a boarding allowance; a second home allowance for families who maintain a second home so that their children can attend school daily; and, where appropriate, a weekly allowance for correspondence students.

3.24 The boarding and second home allowances are generally subject to the same income and assets tests that apply to AUSTUDY. However, in both cases there is a minimum allowance that is exempt from income and assets testing. In 1991 the minimum allowance is $1500 per year.

3.25 School students 16 years or over are subject to the eligibility conditions which apply to Austudy with the exception that $1500 of the allowance is means and assets test free.

3.26 The Association stressed that the primary factor of educational disadvantage that the A.I.C. Scheme was intended to address was isolation. It was designed to meet school access costs for families with children who did not live within reasonable daily travelling distance of the nearest appropriate school. For many of these families the nearest school, in terms of distance, is a government school, but because of the need for their children to live away from home the nearest appropriate school is a non-government school. No government primary schools offer accommodation for pupils and few government secondary schools have hostels

nearby, consequently, parents have little choice other than to send their children to a non-government boarding school. For them non-government schooling is not a choice; it is the only available option. The Association stated that:

> In urban areas, most children live within easy travelling distance from an appropriate school; their educational changes are not governed by their parents' assets, income or location of their family homes.

3.27 The Committee agrees that on social equity grounds, there should be a minimum allowance payable for all isolated children who must live away from home for their education, and that allowance should be based on the average costs of boarding and the average costs of maintaining a child at home. The average costs of boarding are shown in Appendix 5. This allowance should be free of means and assets testing. The Committee believes however that all other conditions relating to assistance to isolated children should be the same as those applying to Austudy.

3.28 Accordingly the Committee recommends that:

- **the means and assets test free component of the Assistance for Isolated Children and Austudy allowance be increased to $2 250.**

3.29 The whole question of access to education and training by rural people is highly complex at all times but is particularly so when there is a severe downturn in the rural economy. The Committee readily admits that the time and resource constraints placed upon it made a detailed examination of this issue impossible. Accordingly, during this year the Committee proposes to visit a number of rural centres and isolated communities to talk to people about the dimensions of and solutions to rural educational disadvantage. It is hoped that following those visits

the Committee will be in a better position to assess rural education and training needs. In the meantime the Committee recommends that:

- **the Government examine additional means by which assistance can be provided to rural families to assist with the education of their children, particularly through the introduction of a tapered assets test and the introduction of a rural loans scheme.**

3.30 The Committee believes that the discount applying to non-farm business assets is too generous. The average assets value for small businesses in Australia is difficult to determine but appears to be in the order of $350 000. The Austudy limit is well above this amount. The Committee is also conscious of the fact that many small business owners are able, through their companies to minimise their personal tax liabilities and as a result obtain additional benefits such as Austudy. On the other hand a number of members believe that it is unreasonable to set the value of business assets at the same level as non productive personal assets. The Committee recommends that:

- **the discount on allowable assets for businesses be discontinued.**

Personal Income

3.31 All student representatives were unanimous in the view that the allowance and the allowable personal income limit were insufficient to meet living costs. Students' living and study costs have been estimated as follows:

- away from home $12 000;
- at college $12 000;
- at home $6 000.

3.32 One submission advised that the 1984 a survey of full-time tertiary student finances found that average expenditure exceeded average income in the majority of

cases. For all students the average annual deficit was 46 per cent of average income. The Australian and New Zealand Student Services Association observed that:

> Little seems to have changed between 1984 and 1990. Austudy has not increased its benefits to keep up with inflation and it is apparent that 'income' and 'expenditure' are still major issues for recipients of Austudy.[5]

3.33 DEET did not state how accurate these figures were but advised that there was no official government calculation of students' cost of living in Australia. In its initial evidence in September 1990 DEET advised that a decision had yet to be made on whether a survey into student finances would be undertaken. Later DEET stated that a survey of student finances will be conducted during 1991 with results available in early 1992. Information collected will include the sources of student income, and the expenditure of students incurring living expenses, education related expenses and contribution to family expenses.

3.34 The Australian Council of Social Service urged that a proper study be commissioned into student costs. The Council was concerned however that:

> The terms of reference should not be determined solely by the Department or by our Government Ministers' staff, but that there should actually be a process of consultation with involved parties. So we would argue that ACOSS should be involved in specifying the terms of reference.[6]

3.35 The Australian Council of Social Service provided draft terms of reference for an inquiry into the living costs and income sources for people aged 16-25 years, engaged on a full-time basis in education, vocational training, Commonwealth labour market programs, and/or job search. The full terms of reference are shown at Appendix 6.

---

[5] Australian and New Zealand Student Services Association, *Submission*, p. 13.
[6] Transcript p. 330.

3.36 Given that there is no figure for living costs and therefore no defined student or parental contribution, the Committee finds it difficult to understand how the Government can determine the level of Austudy allowance, the level of allowable personal income support and the notional level of parental income support. The Committee finds it disappointing that there has been little interest by the Government in ascertaining the students' cost of living until now and recommends that:

> . **the Department of Employment, Education and Training give priority to the 1991 survey of student finances to enable survey results to be considered in the 1992 Budget context.**

3.37 This study is essential to enable a proper evaluation of the effectiveness of student financial assistance. However it is limited to those in receipt of Austudy. The question of youth finances in general is outside the terms of reference of the Committee's inquiry but the Committee believes the Government should give serious consideration to the inquiry suggested by the Australian Council of Social Service.

3.38 In the absence of any government figure on students' cost of living, the data provided by various student organisations and data from 1984 is the best available to assess the adequacy of student income. Student representatives argued that the personal income limit of $3 000 (now $4 000 in 1991) was too low. Even if students earned an extra $3 000 per year their total income was only $8 483 for a whole year. This was well short of basic living and study costs which were estimated to be at least $12 000 for a student living independently in the metropolitan area.

3.39 Student representatives argued that these students were therefore forced to earn more than the allowed $3 000 and their allowance was then reduced. A number of submissions advised that students were actually required to earn at least $10 500 to cover the deficit of $3 500. Of this additional income 25 per cent was deducted by

the employer to cover tax and 50 per cent was lost from Austudy. As one submission stated:

> Students who do earn over $3000 are 'taxed' more than any other sector in the Australian Commonwealth.[7]

3.40 The Committee was told of a number of companies who viewed the personal income limit as short sighted. One such company's complaint included:

- any reduction of working time by students minimises their value to the employer;
- students are being encouraged to `beat the system' by being dishonest, and
- graduates have become less willing to commence full-time employment until after 1st January the following year to avoid any loss incurred as a result of this additional income.

3.41 The personal income test also discouraged students from working part time to gain work experience in their chosen careers particularly in the long vacation. It is apparent from the experience of a number of Committee members that most of the tertiary graduates who experience difficulty in finding employment are the ones that have never had any jobs.

3.42 DEET provided details which suggested that the income test has little impact on most students. The Austudy statistics for 1990 on income reported as being earned in addition to the Austudy allowance are shown in Table 3.2.

---

[7] ANZSSA, *Submission*, p. 13.

TABLE 3.2 PERSONAL INCOME REPORTED 1990

Additional Income Reported	Percent of recipients
Nil	66
<1000	9
1000 - 2000	9
2000 - 3000	10
3000 - 4000	3
>4000	3

Note: Approximate figures only.
Source: Department of Employment, Education & Training.

3.43 From these figures it appears that the level of personal income is not as great an issue for the vast majority of students as many student bodies suggested, particularly as 18 per cent of Austudy recipients are paid at the independent rate. However these figures need qualification and could reflect the degree of parental support and the availability of part-time employment. It could also mean that the income was paid in cash and not declared, or may also reflect the recipient's reluctance to work and place their allowance in jeopardy.

3.44 DEET estimates that to increase the income limit to $5 000 would cost $4 million, an increase to $10 000 would cost $13 million and it would cost $15 million if there was no limit.

3.45 Given that DEET believes that Austudy was never seen as meeting total living costs it is both illogical and unjust that allowable income is set at levels which do not enable students to meet their costs of living, particularly those students who are classified as independent. It is also unfair to penalise students who wish to work. There is little or no evidence which supports the argument that part-time work would adversely effect academic performance. However the Committee rejects the abolition of the personal income test on two grounds. First, to abolish the test would enable students, who cease to attend courses during the year, to obtain full-time employment and continue to receive Austudy. The second relates to equity grounds

particularly to dependent spouses who are subject to the spouse income test of $12 150.

3.46 In the absence of official cost of living figures it is difficult to determine the allowable income level but because of the small costs involved the Committee considers $8 000 would be reasonable. The loss of 50 cents for every dollar earned over the income limit is too high and the abatement rate should be set at the level which applies to marginal family income i.e. 25 cents in the dollar. Accordingly the Committee recommends that:

- **the Government increase the allowable personal income to $8 000, and**
- **the allowance be reduced by 25 cents in every dollar earned in excess of $8 000.**

Independent Status

3.47 The National Union of Students stated that the overwhelming source of most complaints from their members on Austudy was the question of independent status. All student bodies argued that as a matter of priority the age requirements for independent status should be examined. The Union submitted that there was no logic or useful purpose in having a definition of independence at 25 years of age. Another student body stated that:

> despite a wealth of legal material verifying age 18 as the age of independence (many in fact argue it begins at age 16) the government continues to force citizens who in every other respect (voting, health insurance, licences, drinking age, etc) are seen as full citizens, to be relegated to being a 'dependent' if they happen to choose tertiary education. The SRC's case work overwhelmingly shows that the majority of students are financially self supporting from age 18 even if they live in the family home.[8]

[8] University of Sydney, Students Representative Council, *Submission*, p. 5.

3.48 The Institute of Family Studies argued that Austudy together with most other allowances is largely built on assumptions that all but a very small number of young people have support from their parents in the early teenage years. The Institute stated that young people choose to move or are forced to move to independent level for various reasons at different ages and stages of development with every different personal and financial resources.

3.49 The Department of Finance questioned the wisdom in program objective terms of reducing the age of independence to age 21 in that it would mean payments to children of quite wealthy parents who could and would support their children. The National Union of Students agreed but stated that:

> The argument that we have raised in counter to that is that the status quo, in which an enormous number of students who have no means of parental support, no means whatsoever, are currently being either kept in the system on extremely poor living standards or left out of the system, is worse than a system in which a few people between the age of 21 and 25 receiving parental support are in fact granted some support from the Government.[9]

3.50 The age for independent Austudy is 25 years while for unemployment beneficiaries it is 18 years and over. DEET explained that this reflected the fact that Austudy is generally available over a longer period than unemployment benefits and the expectation that parents would contribute to the costs of their student children under the age of 25. However a DEET officer told the Committee that:

> I cannot think of any educational research that is available to us to suggest that 25 is the appropriate age.[10]

3.51 One means of establishing independence is to have worked full-time for three out of the last four years. The Queensland Government stated that many

---

[9] Transcript, p. 10.
[10] Transcript, p 220.

young people have difficulty in establishing independence by the current work test. Many people register for work with the CES but do not or cannot claim unemployment benefits. Proof of registration with CES is not reliable because many CES offices destroy files when the client obtains work. Some students may have had employment with a small business which has become insolvent or changed hands and consequently records are no longer available and previous employers cannot be found. The requirement to prove full-time employment for 155 out of 208 weeks presents particular problems for many students particularly those in the hospitality, rural and construction industries. Part-time work is often the only work available. This acceptance of any work available penalises students who would have a continuous period for eligibility if they had remained on Social Security benefits.

3.52 The Committee accepts the arguments that the age of independence needs to be reduced from the age of 25 to the age of 21. While it is sympathetic to the arguments that many students are independent from age 18 or even younger the Committee cannot support, in the current economic conditions, a proposal which would grant independent status to all students 18 years and over and would increase the program costs by 75 per cent.

3.53 DEET estimates the cost of lowering the age of independence to 21 years to be about $106 million a year. To lower the age of independence to 18 years would cost an additional $624 million. In other words an all up cost of $730 million.

3.54 On the other hand the Committee believes that the work test for those below age 21 should be liberalised. The requirement that applicants must have been in full-time employment for at least three of the previous four years should be reduced to two out of the previous three years.

3.55 DEET already recognises that there will be circumstances where relevant documentation cannot be obtained from an employer. The policy guidelines provide that a statutory declaration may be accepted as sufficient evidence of employment. The Committee believes that this guideline should be used sympathetically. In

addition the Committee considers that the "full time" definition of 35 hours be related to the level of income earned and if this level is such as to indicate that the applicant could have supported her/himself, then this be accepted as "full time".

3.56 The Committee notes the difficulties relating to the establishment of "homeless student" status. While the Committee rejects the proposal that 'independent' status be granted to those who live away from home by personal choice, DEET officers must be aware that in verifying statements of an unsuitable home environment they may place the applicant at risk. In these circumstances details from non-parental sources should be taken as evidence of homelessness.

3.57 Accordingly the Committee recommends that:

- **the independent eligibility criteria for independent status for Austudy be reduced progressively to age 21 over the next four Budgets, and**
- **the 'previous employment' rule be satisfied by -**
  employment for two out of the previous three years, and
  income levels sufficiently high to indicate an ability to live independently.

Spouse Income Test

3.58 A spouse income test applies to the partner of an independent student who is married, living in a defacto relationship and has a child from that relationship or has been in a defacto relationship for at least two years. In 1990 students received maximum allowances if their spouse's income was $18 150. In 1991 the spouse income threshold was reduced to $12 150.

3.59 The spouse income test was criticised on three grounds namely:

- it has been reduced for this year which will adversely effect employment of women and those in the final stages of their course,

- there is no allowance for dependent children, and
- the abatement rate is higher than that allowed for parental income.

3.60 It was argued that the failure to allow any deduction for children seriously disadvantaged married women with children who wished to further their education. The reduction of the allowable income of a spouse to $12 150 would not only act as a barrier to married women entering tertiary study in the future, but would also result in increased drop-out rates of women who are currently studying. The Committee was told that student counsellors see many women with families who were struggling to get by on one income, and for whom the Austudy allowance was an essential component of the family budget. Most, if not all, of these students will lose their Austudy allowances from 1991 due to the reduction in the allowable level of spouse income.

3.61 The abatement rate was also criticised. Over the initial threshold of $12 150 $1 is lost from Austudy for every $2 of extra income earned, not $2.50 for every $10 earned as is the case in the Parental Income Test. This means that the 1991 cut-off point for spouse income above which no Austudy will be received by a married student will be $23 928, as compared to an allowable parental income of $42 856 (Living Away From Home Rate/ no other children).

3.62 DEET did not have any figures on what impact the change in the level of the test would have on women participating but considered that the greatest impact will probably be on men participating. DEET told the Committee that the spouse income test under Austudy was seen to be very generous when compared to spouse income tests for unemployment benefits. DEET also commented that it was illogical to have the same threshold for the spouse income test and the parental income test because the circumstances are very different.

3.63 The Committee agrees with the submissions that there seems no logic in an abatement rate higher than the family abatement rate or the rate which the Committee has recommended for personal income. The Committee's major concern

however is that the changes in the spouse income test is likely to adversely effect those who were about to commence their final year of study and who now may be forced to discontinue. The Committee supports a review of the spouse income test to enable those who would had successfully completed their first year of study, to retain their previous allowance entitlements. Accordingly the Committee recommends that:

- **the spouse income abatement rate be changed to the level of the family income abatement rate, and**
- **the spouse income test be modified to enable those who had successfully completed at least their first year of study to continue to receive allowances at their previous levels subject to the normal Austudy rules.**

Age 16 Rule

3.64 Austudy is paid to students aged 16 years and over. The Committee's report on school retention rates the Restless Years notes that while this requirement is satisfied by most students by the time they commence Year 11, it creates an anomalous situation for young people in South Australia, Queensland and Western Australia where a significant proportion of students in Year 11 are 15 years of age. The report notes that in South Australia for example, on 30 June 1986, 56.9 per cent of Year 11 students were under 16 years.

3.65 The Committee received evidence from student associations, parents and state governments arguing that students 15 years old in Year 11 should be eligible for Austudy payments. The Queensland Government advised that 50 per cent of Grade 10 students are under 16 at completion of Year 10. Some of these students come to TAFE at 15 years of age and are ineligible for Austudy and through financial pressures cannot continue with their course.

3.66 The Commonwealth Government in its response to the Restless Years report, and DEET in its evidence, stated that Austudy is a component of the

common allowance structure introduced by the Government as part of its strategy for young people. The basic element of the structure was the alignment of Austudy and unemployment benefit allowances for those aged 16 or over which removed a disincentive to young people continuing in full-time education and training. The Commonwealth currently provides alternative support for some students under 16 years of age by way of the family allowance supplement. The Committee was advised that there was little evidence to suggest that the unavailability of Austudy before the sixteenth birthday has deterred students from continuing in schooling as Queensland, South Australian and Western Australia
have the highest retention rates of all States and Territories, with the exception of the ACT.

3.67 The benefit payable through the family allowance and family allowance supplement is $48.65 while the Austudy at home rate is $62.05. The Committee notes that those families eligible for the family allowance supplement are amongst the most financially disadvantaged families in Australia. The Committee requests that the Government review its decision relating to payment to 15 year olds and in particular those families eligible for family allowance supplement. Accordingly the Committee recommends for the second time that:

- **the Commonwealth Government revise its youth income support measures to enable senior secondary school and TAFE students under the age of 16 years who are eligible for the family allowance supplement to be eligible for Austudy allowances.**

Private Institutions

3.68 In 1991, Austudy arrangements were amended to enable students enrolled in accredited secretarial courses in private business colleges to be eligible for Austudy support. DEET advised that the longer term aim is to extend eligibility to appropriately accredited privately provided training courses which are similar to those provided in TAFE. The criterion for Austudy approval will be registration of

the provider and accreditation of the course by the appropriate State/Territory authorities. DEET considered that this will provide a strong incentive for private providers to seek registration and accreditation which in turn, will help raise the standard of the education and training provided and facilitate the portability of qualifications obtained.

3.69 The restrictions applying to private colleges also apply to private universities. The Committee is not aware of any consideration to extend Austudy eligibility to students enrolled in these institutions. DEET advised that the cost of extending eligibility to all private colleges would be $20 million a year.

3.70 The Committee recommends that:

- **Austudy eligibility criteria be revised to enable students enrolled at properly accredited private colleges and universities to be eligible for Austudy.**

Re-entry Students

3.71 The current Austudy regulations do not allow a student who is over 19 years of age to receive Austudy for a secondary course if he or she undertook study at that level in the previous three years, except where the student can demonstrate that the failure was caused by illness or other circumstances beyond the student's control.

3.72 It is the Committee's view that this regulation is unnecessarily restrictive. The Committee has received informal advice that many students, because of peer group pressures and poor school environments, achieve lower level scores than their ability suggests they should. The Committee considers that these students should be able to re-enrol at that or another institution and receive Austudy support.

Accordingly the Committee recommends that:

- **the Austudy regulations be amended to enable students who are 19 years of age to repeat one year of senior secondary schooling provided that the principal of the school provides a certificate which states that the student is likely to successfully complete an additional year.**

3.73 Students in Queensland who are under the age of 19 years and who have left school prior to the completion of Year 12 are able to enrol in senior external studies. Education Department regulations preclude students from sitting for more than a maximum number of examination subjects in a year. These students are unable to receive Austudy support as the number of subjects is considered to be less than a full-time load. However students are entitled to enrol in more than the permissible number of examination subjects and receive Austudy support. Students are unable to sit for these additional subjects. The Committee considers that such restrictions do not assist students in obtaining proper qualifications and lead to the mis-allocation of Austudy funds.

3.74 The Committee recommends that:

- **the Minister for Employment, Education and Training request the Queensland Minister for Education to review the policy restricting external students to a maximum number of examination subjects.**

Comparability with Unemployment Benefits

3.75 The Committee on Higher Education Funding concluded that the difference between Austudy allowances and unemployment benefits may well act to deter older people from participating in higher education and recommended that over the next decade Austudy rates be aligned with unemployment benefit for students 21 years and over. While unemployment and Austudy allowances for persons aged 16 to 20

are now aligned there are differences in the adult rates between the two programs. These include:

- single persons aged 21 or older who qualify for the 'independent' or 'away from home' rates,' and
- those aged 18 to 24 who do not qualify for the 'independent' or 'away from home' rates.

3.76 The Queensland Government argued that programs of financial assistance for students need to provide funds at levels similar to the Department of Social Security benefits so that students are not penalised for attempting to enhance their employment prospects. The Western Australian Government requested a comprehensive study of existing discrepancies in unemployment and student benefits to ensure that no disincentives remain for particular groups.

3.77 The Australian Vice-Chancellors' Committee stated that it was most unfortunate that the current situation provides the wrong signals to the unemployed who should be encouraged, not discouraged, to participate as students in higher education. The Vice-Chancellors' Committee believed that the rapidly rising unemployment of recent months was intensifying the need to move to a system which uses the time that is generated more productively in the form of study assistance.

3.78 The Australian Council of Social Service believed that unemployed people, sole parents and disabled people must gain access to vocational training and in many cases the general education they did not gain at school. The boundaries between students, employees and unemployed people will be blurred as award restructuring and social security reforms place new demands upon education and training and labour market programs. The Council noted that the broad direction of reform to income support arrangements for students and unemployed people has been towards the integration of the two systems. The Council believed that Austudy should be regarded as income support rather than an allowance to assist people to meet study

and living expenses. The Council argued for further progress in the alignment of Austudy and social security rates. Most student organisations supported this view.

3.79 The National Union of Students submitted that the difference between Austudy payments and unemployment benefits represents a significant disincentive for students over 21 and believed that there should be an eventual alignment of Austudy and unemployment benefits. The Union told the Committee however that while they would like the situation changed, in a tight fiscal context other reforms had a higher priority.

> While there is clearly a disincentive in the fact that a person on unemployment benefits will earn around $20 per week more than a person on Austudy, [the alignment of rates] would only remove this disincentive for those currently on Austudy and then to the tune only of around $20 per week. On the other hand, NUS contends that a far greater disincentive exists in the fact that there are a large number of students over 21, not in receipt of any parental support, but who are not eligible for Austudy due to parental means and assets testing. For such students, the disincentive is far greater than $20 00 per week - it is anything up to $105 per week ... removing this disincentive will have a far greater impact on participation than removing that as between Austudy and unemployment benefits.[11]

3.80 DEET explained that the differences in rates are partly historical, partly a result of cost implications and partly a reflection of the different circumstances of the activities being undertaken. DEET estimated the cost of aligning these rates at $66 million.

3.81 The Committee supports the eventual alignment of Austudy with all other relevant social security benefits, particularly now that the active employment strategy has been adopted. The Committee believes that unemployed persons must be given real and fair options, including the option of returning to full-time

---

[11] National Union of Students, *Submission*, p. 13.

education either at the secondary or tertiary level. However in times of tight fiscal constraint and economic down turn other areas of reform may be given a higher priority.

Academic Eligibility Rules

3.82 Austudy is not available to students if they:

- have undertaken a course deemed to be of the same or a higher level than the one proposed;
- spend longer doing the course than its normal duration, and
- undertake subjects less than three quarters of the work of a full-time student.

3.83 The basic academic rules were formulated in 1974 when the present non-competitive student assistance program was introduced. The Audit Office noted that the regulations which seek to apply these rules had become more complex. The introduction of HECS has provided substantial financial incentives for students at universities and colleges to select relevant courses and study and maintain satisfactory progress. The National Union of Students considered that the basis of the current rule, the so called 'professional student' syndrome was one which was largely irrelevant in the post HECS era.

3.84 DEET's assessment of TAFE associate diplomas was criticised by many witnesses. The Committee was told that enrolment through TAFE colleges and particularly through associate diplomas was one of the most effective ways of increasing participation of disadvantaged groups in the higher education sector, who are not normally considered as major or high participators. Many such diplomas are regarded by institutions only as acceptable as basic entry qualifications for tertiary study. Others would give some credit but generally would not give full credit towards a bachelors degree. Even though little or no credit is granted Austudy will not provide assistance for the first years of the course.

3.85 The Committee agrees with the views of various student organisations that this particular rule represents a major barrier to skills upgrading needed for a better workforce. It also works against students who by undertaking TAFE courses find that they have the aptitude to undertake study at a higher level. Accordingly the Committee recommends that:

. **the Austudy regulations be revised to -**
accept institutions' assessments of whether courses are at the same level, and
provide assistance to students for that proportion of the course for which credits are not granted.

3.86 A number of submissions also referred to an anomaly in the regulations which precludes assistance to people who gained qualifications overseas but which are not recognised in Australia. The Dean of the Faculty of Dentistry at the Adelaide University, for instance, told the Committee that he was perturbed at what seemed to be discrimination against these students because they were deemed to already have a degree at the same level. Students who are not able to have their degrees recognised by Australian authorities undertake two or more years of retraining to qualify for an Australian degree. Similar problems occur with overseas trade qualifications. It is in the interest of Australia to make full use of the training and skills of these people.

3.87 It is the Committee's view that these persons should be entitled to Austudy support. Accordingly the Committee recommends that:

. **Austudy regulations be revised to enable Austudy support for courses at the same level if overseas qualifications are not recognised by professional or trade registration agencies or the educational and training institutions.**

3.88 DEET estimated the cost of abolishing the academic rules as $15.75 million.

4 AUSTUDY ADMINISTRATION

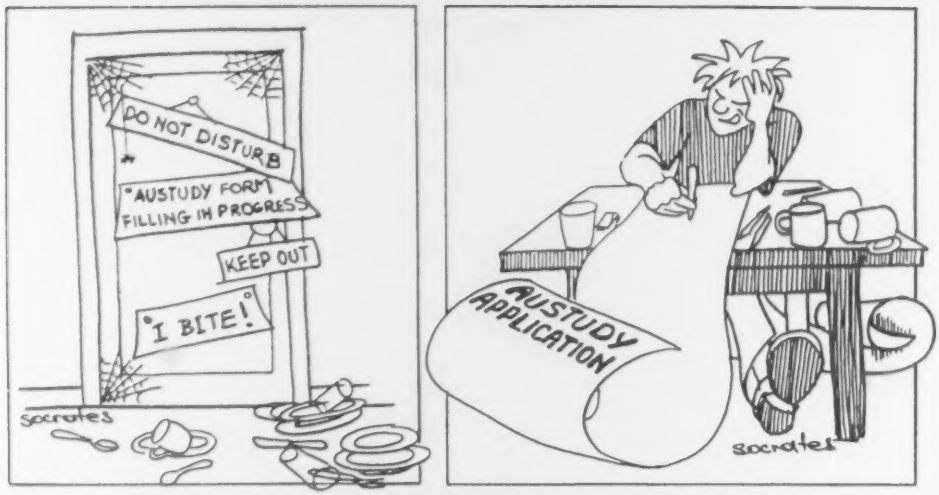
Complexity

4.1 It is clear that an effective program is one which is easy for the individuals to understand and for the program managers to administer. As one student body stated the complexity of the current Austudy rules thwarts the vigilance of even the most experienced team leaders and campus student advisers. The National Union of Students submitted that a simple scheme means:

- fair treatment of individuals;
- rules which can be clearly understood;
- the minimum possible time between an application, approval and payment;
- attempts to solve problems before payment commences,
- promotes the least possible disputation and which has quick fair procedures to deal with any disputes.

4.2 The Australian and New Zealand Student Services Association told the Committee that as a result of Austudy and its complex regulations `a little industry of demystifiers has been created'. The Association found it commendable that DEET provides information sessions on Austudy and budget changes for counsellors, financial assistance advisers, welfare agency staff and others. The Association believed however that Austudy regulations must be simplified in order to make them communicable and informative. It was of little or no value to discuss the setting up of structures if the complex system remained. The answer was not in explaining the complexity of the system but in simplifying the system.

4.3 The Austudy rules and regulations failed dismally on any test of plain English. It was submitted that very few students or student organisations could claim to be expert in the area and as a result the rights of aggrieved students were



'At a time when even the Taxation Office are able to simplify their form, surely Austudy will be in a position to do the same.' ANZSSA

significantly diminished. DEET has now produced a plain English version of the regulations. All bodies have welcomed its production. However as one witness stated:

> the fact that the regulations are now being prepared in plain English is akin to requesting Paul Hogan to give an explanation on Einstein's theory of relativity.[1]

4.4 Because the scheme is complex, the regulations continue to remain complex. However the initiative by the Department is welcomed and there is no doubt that the plain English version is far easier to understand than the previous regulations.

Application Form

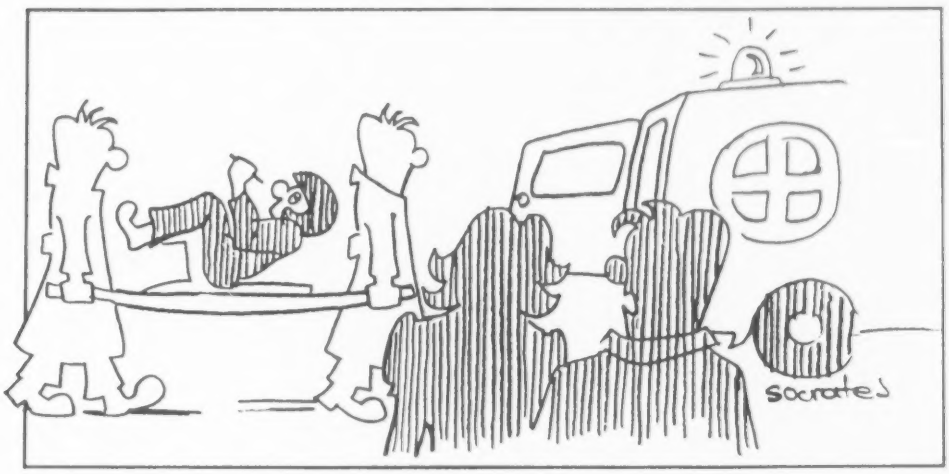
4.5 A significant area of concern was the length and the complexity of the Austudy application form. The 1990 application form contained 93 questions and while applicants were not required to answer all questions they were required to

[1] Australian and New Zealand Student Services Association, *Submission*, p. 6.

consider very carefully each question, particularly since errors were costly and caused delays. The Audit Office noted that previous application forms had resulted in significant client error, assessor error and data entry operator errors.

4.6 DEET has made a number of changes to the 1991 Austudy application forms in order to make them simpler for clients and easier to process. Continuing students received their 1991 application form by direct mail. The form is less than half as long as the main application form and has printed on it relevant details recorded by the student in the previous year. A shortened application form with information attached has been prepared for students applying for Austudy for the first time.

4.7 Various student bodies have welcomed these reforms and informal advice received from individual students indicates a high level of acceptance. The Committee notes that DEET will continue to review and evaluate the form and endorses this approach. The Committee acknowledges however, that while the program remains complex and in the light of the targeting provisions of the program, the form is unlikely ever to be described as 'simple'.



'...the form is a bit of a pain to fill in ...'
Private Submission

4.8 The Australian and New Zealand Student Services Association observed that:

> At a time when even the Taxation Office are able to simplify their form, surely Austudy will be in a position to do the same.[2]

One means of simplifying the form would be to allow a greater level of self assessment, an approach which has lead to a greatly simplified tax form. A degree of self assessment and a simpler form would enable some DEET staff to be reassigned to benefits control for the purpose of compliance auditing on a selective basis, as is done by the Australian Taxation Office.

4.9 Accordingly the Committee recommends that:

- **the Department of Employment, Education and Training examine the feasibility of permitting a greater degree of self assessment by applicants.**

Promotion

4.10 An Australian Institute of Family Studies survey found that families who did not know of the existence of Austudy were on very low incomes and included single parent families receiving social security payments and couple families with one person working. The Australian and New Zealand Student Services Association stated that it is apparent, particularly in rural areas, that there is an ignorance of Austudy by parents, accountants, students and teachers. The Association believed there was much to do in developing an effective information network. During a previous inquiry the Committee met a number of students who had no or little understanding of the scheme.

---

[2] ibid. p. 8.

4.11 Efforts have been made by DEET to improve information about Austudy. A DEET/National Union of Students guide to student finances, written jointly by a team including the NUS, an experienced student financial adviser, a DEET officer and a professional editor, provides information in an attractive and easy to read format. It has been very well received by students and student advisers and answers many of the common questions about Austudy.

4.12 To complement the role of schools and tertiary institutions in distributing application forms and information materials, since 1988 DEET has also made increasing use of direct mail to get material to a range of potential clients, including:

- parents of children turning 16, through the DSS mailout of the 'Review of Family Payments' form;
- continuing secondary and tertiary students, through a direct DEET mailout, and
- new tertiary students, through university and college admission centres.

4.13 DEET promotes student assistance through its extensive network of CES offices, Youth Access Centres, Career Reference Centres and Student Assistance Centres. The network carries out promotional work at secondary and tertiary campuses and careers markets; provides training courses for student advisers and the staff of Members of Parliament; and serves as a focal point for the distribution of forms and information.

4.14 To ensure that it markets student assistance programs better, DEET has identified those sectors of the population that need to know about income support and has committed itself to improving the quality of information available to them. For example, as part of the marketing of Austudy for the 1990-91 processing season, there were 180 radio advertisements played in each capital city during December 1990 and a follow up magazine campaign in January 1991.

4.15 In addition to these specific campaigns, the Department produces a range of posters, comics, pamphlets and charts as well as information leaflets in 14 languages. DEET includes information about student assistance in generic youth materials such as the 'Guide' and 'The Guide Teachers Kit'. The Department has also produced a 'ready reckoner', to assist clients, and DSS and DEET staff, to assess individual circumstances and determine whether a person should make and application.

Processing Delays

4.16 DEET advised that in its first year (1987), Austudy administration was beset by serious implementation problems, due to the concurrent introduction of a major new scheme of assistance and the associated computer system development, which fell behind schedule. The added difficulty of a last minute policy change to the secondary student component of the scheme (to allow the parents of students aged 16-18 to receive the Austudy payments if they wished, rather than the payment going to the student) meant that application materials for that group were not available on time. After the late start and slow initial payments, there were further delays when the large volume of inquiries and complaints diverted State and Territory Office resources from the main task of assessing applications and making payments.

4.17 According to the Audit Office in 1989 generally applications from students were processed in an efficient, timely and accurate manner. The unacceptable delays experienced in 1987 were not repeated in 1988 or 1989. In 1989 the three weeks target application turn around was met with the exception of the Melbourne Office. Substantial delays however continued to be experienced in processing reassessments. The Audit Office noted that the major weak point in Austudy processing procedures was the handling of inquiries.

4.18 Many of the submissions stated that there had been significant improvement in turn around times but others noted that there were still significant delays. The

Australian and New Zealand Student Services Association stated that in 1990 many of the concerns of the Auditor-General which had made 1987 such a catastrophic year in the history of TEAS/ Austudy had returned with a vengeance. The Association described the delays in Victoria of correspondence out of DEET and on to the assessors desks from the Registry as `abysmal'. Delays either way had been five or six weeks. The Queensland Government believed that although it was generally claimed that the processing of a normal applications takes three weeks, in practice this is seldom the case. These delays often lead to considerable financial hardship both for students and, if dependent, their parents.

4.19 The Student Financial Assistance Network told the Committee that DEET had stated that the turn around time for applications would be three weeks. Students were also told this when applications with launched. While this was true for re-enrolling students who lodged their applications early, new students who had to wait to lodge their applications in February and March, normally had to wait six to eight weeks to be assessed. Where additional information was required the follow-up action had been similarly delayed. As a result many students had to wait in excess of three months for their assessment even when additional information was returned promptly.

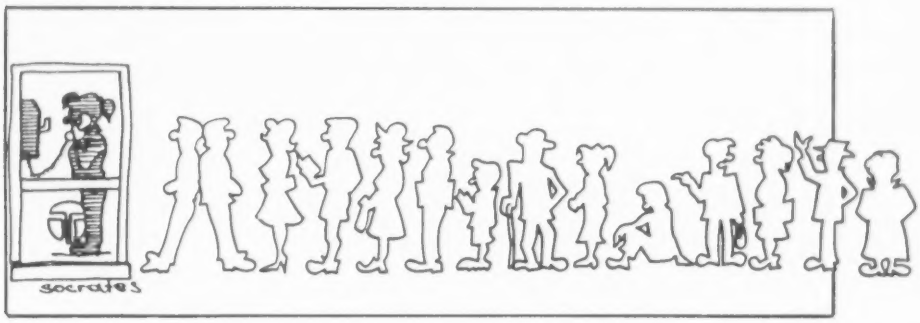
4.20 There was also considerable criticism of the telephone inquiry service. The Audit Office reported that in 1988, 20 per cent of calls went unanswered and in Melbourne the figure was 43 per cent. Delays were reported of more than half an hour and in many instances the person could not get through to the inquiry service. Access to telephone information and the time delays involved in waiting in queues (waits of up to 2 and a half hours have been reported) are unacceptable. Rural people face particular problems.

> They cannot understand that when you are out living in our areas and you are on a digital radio concentrator system or something, when the phone drops out, and you dial this 008 number and you get through to music and you are hanging on

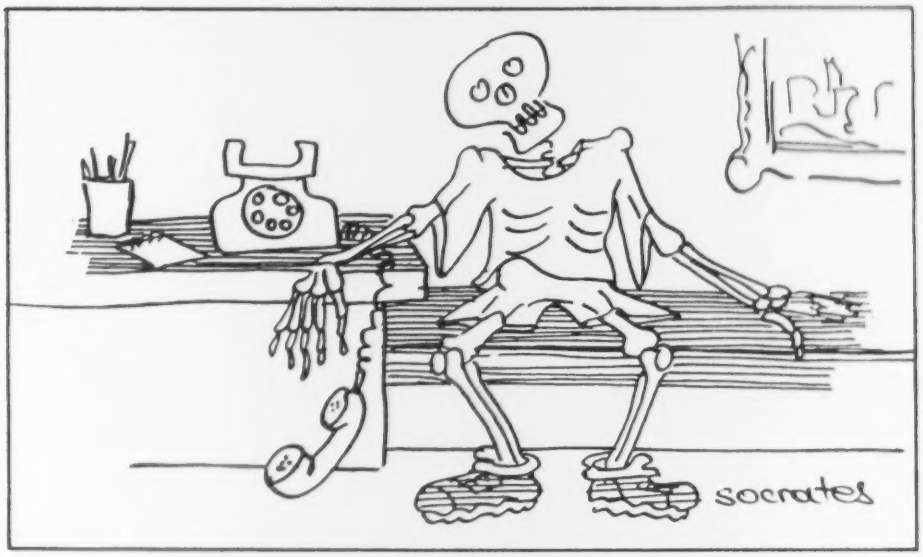
> and on and on and then the phone drops out and you have to start over again. You listen to the music and then you give up.[3]

4.21 DEET acknowledges that it has problems with its telephone inquiry service. As one officer stated:

> But if you had to point to one particular area of administration of Austudy that has been weak, it has been in the handling of telephone inquiries. Our best estimate ... is that we have only been answering about 80 per cent of inquiries that are made.
>
> People have not been able to get through, or if they have been able to get through they have been made to wait inordinate periods of time. When they have got through, they have dealt with officers who have been swamped or who have felt harassed or under pressure from the sheer volume of inquiries being made.[4]



[3] Transcript, p. 199.
[4] Transcript, p. 214.



'...or if they do get through they have to wait inordinate periods of time.'
Department of Employment, Education and Training

4.22 DEET recognised that there was scope for significant improvements and national client service standards were introduced in 1988. They have been progressively developed with the new standards introduced and existing standards raised. Processing times were significantly reduced and in 1989/90 and almost 74 per cent of applications were processed within 21 days. For the 1991 processing season new standards have been set such as a minimum of 80 per cent of all applications received were to be processed within three weeks.

4.23 The Government has provided $1 million, some of which will be allocated to the development of a national telephone system which will enable DEET to answer 100 per cent of calls. DEET expects to receive an estimated 1 billion telephone and counter inquiries and aims to answer at least 80 per cent of telephone inquiries within five minutes and 75 per cent of counter inquiries within 15 minutes. DEET has made 008 numbers available for non-metropolitan students and has introduced professionally spoken message tapes to provide information about Austudy to callers while they are on hold. Additional staff have been made available

to handle inquiries within student assistance centres and CES offices. The Committee noted however during its visit to the Austudy Processing Centre in Brisbane, that telephone delays of up to 10 minutes occurred during the lunch period.

Staff Training

4.24 Financial advisers and student councillors generally found their dealings with Austudy staff to be efficient and effective. They believe however that inquiries from many applicants were not handled effectively or efficiently. The Student Financial Assistance Network advised that mis-information from Austudy and CES offices, even about some of the more basic regulations, was a major problem for students in 1990 as well as in preceding years. Problems were experienced both with over-the-counter and telephone advice.

4.25 The policy of providing Austudy information at CES offices is potentially of great benefit to students, particularly those in country areas who cannot easily visit a metropolitan Austudy office. The Network believed the benefits of this policy were marred by the many complaints from students who have contacted CES offices. CES staff did not appear to be adequately trained and were not capable of giving even basic information to students. On the basis of 1990 experience, student financial advisers were forced to advise students never to accept verbal advice, even from Austudy staff.

4.26 DEET advised that it has invested heavily in staff training to increase the efficiency of office operations and improve the service offered to clients. It has set targets of five days training for each Student Assistance Centre staff member. DEET has also responded to the Auditor-General's recommendations on staff training. Officers have been appointed in Central Office to develop national training materials and to monitor and evaluate the training process. Staff training and development is now included in the operational planning process. Each Student Assistance Centre has developed detailed training plans for all staff for the 1990-91 financial year.

4.27 The continuing decentralisation of Austudy and Abstudy functions has increased the demands for training in the CES Network. Areas responsible for training in the network have developed a close working relationship with the Student Services Branch. One result of that relationship has been the definition of the roles of training staff at various levels in the organisation.

4.28 The Committee welcomes these initiatives which should ensure a better standard of service to clients, but is concerned that the use of temporary staff in peak periods, staff turnover, changes to the program and the program's complexity can still lead to applicants receiving incorrect information.

4.29 A number of Departments which administer complex programs have installed 'expert' or knowledge base systems to ensure that their clients are provided with accurate information. Such a system was demonstrated to the Committee. Knowledge base systems contain advanced information about an area of practice or decision-making, and are able to perform tasks in that area that could normally be done only by someone who is an expert in that field. Expert systems are more advanced and powerful than Data Base systems, which simply organise raw data into information. Expert systems contain knowledge about the meaning of the information and are therefore able to combine, manipulate and draw conclusions from information. They harness the skills and knowledge of experts to help non-experts give accurate, consistent and reliable advice and information to customers.

4.30 The Department of Veterans Affairs which has installed such a system believes that:

> It will ensure that veterans across the nation receive accurate, consistent and up-to-date information. No matter which Veterans Affairs office you walk in to, no matter who you talk to, you will receive the same high standard of service and quality advice.[5]

---

[5] Department of Veterans' Affairs, Press Release, 22 October 1990.

4.31 In 1991 DEET will trial a PC based inquiries system to assist students and student service providers to assess eligibility. If the trial is successful DEET hopes to make the system available to institutions and other interested groups. Given the difficulties in providing accurate information to clients the Committee considers that the development of the system must be given a high priority. Accordingly the Committee recommends that:

> **the Department of Employment, Education and Training allocate the necessary resources to develop an expert computer system to enable -**
>
> **trialing during the 1991-92 processing season, and**
>
> **progressive installation in DEET offices and educational institutions from the 1992-93 financial year.**

DEET/Department of Social Security Links

4.32 About 320 000 people receive Austudy payments in 1989/90. DSS makes payments in respect of a further 122 000 students eligible for Family Allowances. There is a considerable amount of client traffic between the programs particularly for those in their late childhood and early adulthood as life choices are made. The traffic is particularly noticeable as children reach 16 years of age when Austudy becomes available. According to DSS those who transferred to Austudy are generally from families in whom DSS is likely to have a continuing interest because they are pensioner, beneficiary or low income families.

4.33 Many witnesses complained about the frustrations with the delays caused by persons transferring from a DSS benefit to Austudy. It is clear from client reaction that clients find the arrangements confusing, onerous and in some cases financially distressing. For example, DSS cannot continue to make family payments to parents after a child's sixteenth birthday unless the child is a student and not eligible to receive Austudy payments. DSS advised the Committee however that where it was reasonably clear that an Austudy payment would not be made because of the level of parental income, DSS did not require that an Austudy claim be lodged

and formally determined. However delays occur in the commencement of payment to those families where an Austudy claim has been lodged but the outcome is not known. These delays therefore invariably affect lower income families.

4.34 DEET provided details of where there were simple transfer mechanisms from DSS benefits to Austudy. These included transferring from long term unemployment where DSS continues to pay its benefit up to the day before the start of the student's course and Austudy commences the first day of the students course.

4.35 Despite DEET's handling of many inquiries about the timing of payments, significant numbers of parents who are DSS clients also approach DSS seeking information and interim assistance. DEET noted this situation but stated that once students have commenced study there is no basis for DSS to make such payments. Instead in cases of genuine hardship, advance Austudy payments can be made. DEET commented that this practice has not been widely used in the past but recent measures should ensure that the facility is more widely available in 1991.

4.36 Both agencies noted that mechanisms have been put in place which advises parents before their child's sixteenth birthday of their need to apply for Austudy and for parents to arrange for their children to apply and receive Austudy before family allowance payments are discontinued.

4.37 DSS advised that overall these arrangements were working reasonably well except where Austudy determinations are delayed for any reason. In these cases clients were without any income from either Department. DEET believed that ideally it would be helpful if DSS could pay unemployment and sickness benefits until Austudy was actually granted even when the beneficiary commenced full-time study. This would require an amendment to the Social Security Act which currently precludes payment of benefit to a person undertaking full-time study.

4.38 DSS noted that regardless of how well the administrative aspects are handled the client is still required to lodge applications with each Department, to

submit proof of identity and other relevant facts to each Department and to advise each Department of every relevant change and circumstance. There was no transportability of information from one program to another.

4.39 While there are reforms being developed the proposed approaches do not include the transfer of information from one data source to another on a comprehensive or permanent basis. Each agency will continue to collect its own information and clients will continue to deal with each agency separately.

4.40 The Committee is disturbed about two aspects of the current arrangements. The first is the need for clients to provide original documents to two separate agencies. The second relates to the withdrawal of benefits while an application for Austudy is being assessed. The Committee believes that the transfer of information between the two agencies could be easily remedied provided the relevant legislative changes are made and that the data required by each agency is standardised as far as possible. Accordingly the Committee recommends that:

- **the Department of Employment, Education and Training and the Department of Social Security examine and review information collected to ensure that as far as possible it is standardised;**
- **a client transferring from one program to another be required only to produce a certificate from the other Department to indicate that the client has provided relevant documentation, and**
- **with the clients permission data on the client be transferred between the two Departments.**

4.41 The Committee recognises that there may need to be amendments to privacy legislation.

4.42 Of greater concern to the Committee is the cessation of benefit while eligibility for Austudy is being determined. The Committee notes that the Department of Social Security is unable to continue payment of unemployment

benefits while a person is enrolled in full-time study pending assessment of Austudy eligibility. It is therefore essential that Austudy payments are available from the first day that unemployment benefits cease. If at a later date the person is considered ineligible for benefit the Department could seek reimbursement. The Committee regrets the need to comment on this aspect because it finds it totally unacceptable that benefits can cease when applicants transfer from one program to another. Accordingly the Committee recommends that:

- **the procedures be amended to enable emergency payments to the student in cases where there are delays in assessment of eligibility for Austudy.**

Benefit Control

4.43 Various audits and DEET's own reviews revealed major weaknesses in benefits controls in Austudy and previous student assistance programs over some years. Fraud deterrence measures especially penalties and prosecutions had been minimal. There had been limited prepayment verification of applicant details particularly of identity and parental incomes. Priority had been given to placing students on pay as quickly as possible and verifying applicant details post-payment if at all. Verification of continuing entitlement especially with respect to personal incomes and enrolment was particularly unsatisfactory. Personal incomes were not verified and enrolment status was checked too late in the first half of the year and too infrequently in the second half of the year.

4.44 Compliance surveys undertaken by DEET for the first time in 1988 had identified that between 12 per cent and 27 per cent of students receiving assistance under the different schemes were overpaid in 1988 with average overpayments per student of the order of $1100. In Tertiary allowances alone potential overpayments of at least $40 million per year were indicated. However further work needed to be done to identify more precisely the incidence and sources of overpayments under the whole Austudy program.

4.45 Benefits Control Units were established by DEET across Australia in 1988 as an integral part of student assistance delivery. They contribute to the achievement of student assistance program objectives by ensuring that clients receive their correct entitlement. This requires a delicate balance between effective preventive and investigative work and maintaining the attractions of the programs to all client groups.

4.46 The Benefits Control role encompasses:

- prevention of fraud and overpayment;
- detection and investigation; and
- debt management.

4.47 Since July 1989 DEET has recorded the outcome of all investigations undertaken by Benefits Control on a mainframe database. Currently some 26,700 investigations are held on this database. Detailed information regarding the outcome, value, nature, duration and reason for incorrect payment, including prosecution action where applicable, is recorded for each case investigated so that a comprehensive picture of fraud and the effectiveness of control activities can be formulated.

4.48 The majority of overpayments identified by Benefits Control are due to the failure of clients to advise the Department of changes in circumstances which effect entitlement to assistance, or incorrect estimates of students' personal income. Only a small percentage of the above cases involve instances where fraud has been substantiated. A significant proportion of these fraud cases have involved the deliberate lodgement of false claims.

4.49 During 1990 extensive enrolment checks of school attendance were run and compliance checks were conducted of 20 per cent of Austudy clients. This year, Benefit Control Units will:

- extend the compliance checking exercise;
- increase attendance checks of secondary students;
- undertake more frequent and regular enrolment checks of tertiary students in receipt of Austudy;
- implement a new computer-based system to manage debt and provide management information;
- enhance existing data matching programs, and
- increase the emphasis on deterrence, front-end controls and publicity for compliance activities.

4.50 The Committee welcomes these reforms. The Committee notes that if its recommendations relating to the personal income test are accepted by the Government the incidence of 'fraud' will be further reduced.

Program Responsibility

4.51 The previous section of the report outlines some of the difficulties associated with two agencies involved in the payment of benefits. Many of the submissions argued that there should be a single payment agency for both education and social welfare benefits. The Australian Council of Social Service for instance, stated that improved integration between student financial assistance and income support for the unemployed would also be advanced by a transfer of administrative responsibility for Austudy to the DSS. DSS has a larger and more effective infrastructure for determining and paying government benefits to individuals. In particular the Council argued that DSS was more likely than DEET to be in a position to fully decentralise both decision making and the administration of payments. A number of other witnesses referred to the benefits of having `shop front access' available to clients rather than the centralised system of DEET with its associated problems of a less than adequate telephone inquiry service.

4.52 Currently the CES is the initial point of contact for someone wishing to apply for Unemployment Benefit. Through the application of the works test an

individual is registered and sent to the Department of Social Security for processing and payment. One submission argued that there was no reason why the CES could not retain a similar role in the Austudy process. The CES would simply apply a test to assess whether individuals are applying for approved courses of study etc. before referring them to the DSS for the rest of the process.

4.53 At the end of 1987 the Government investigated the possible use of DSS as a central payments agency. After careful consideration of the review report, the Government decided to leave the student assistance function with DEET. DSS did not respond directly to a question from a Member concerning the benefits to the client if DSS was responsible for the assessment and payment of Austudy. The Department's response was `I think Social Security does assessment payment processing quite well and I think DEET is the expert in terms of liaising with educational institutions on accreditation course progress etc'.[6]

4.54 DEET believed that building on improvements introduced over the past few processing seasons Austudy is now delivering benefits more efficiently and with a greater client focus. DEET believed that these improvements justify continuation of the current allocation of functions.

4.55 If financial assistance for students were simply one Commonwealth income support measure among others it could perhaps be effectively administered by a central agency with general responsibility for processing income support payments. To view financial assistance for students this way, however, was to ignore its links with the broad strategy of employment, education and training initiatives, of which it is an integral part. Far from being just a passive form of income support, financial assistance to students was one of a number of key measures designed to stimulate active participation in education and training, with a view to improving employment opportunities.

---

[6] Transcript p. 257.

4.56 DEET is continuing to decentralise Austudy administration. Since 1989 there has been a significant growth in both lodgement and inquiry levels through the CES network. At present about 37 per cent of Austudy applications are lodged through the network which also handles some 34 per cent of inquiries. DEET advised that the most immediate and client focussed option for decentralisation appears to be the further extension of the detailed inquiry function beyond the current 90 ESAS connected lodgement centres to the full 238 lodgement centres. There are proposals for further decentralisation.

4.57 In a further initiative designed to decentralise Austudy administration, at the end of 1989, DEET introduced experimental Austudy work units at selected secondary and tertiary educational institutions in New South Wales and Victoria. The project was designed to test the scope for:

- the provision of a faster and generally more efficient service for clients;
- improved Austudy take up rates, particularly among lower socio-economic groups;
- improved benefits control procedures;
- receiving and checking application forms for completeness, and
- verifying the documentation provided by clients.

4.58 The Committee is conscious of the many criticisms which relate to the delivery of the Austudy program. Many witnesses stated that while the service is improving problems still remain. Those problems are associated with the advice given by staff and the inadequacy of the telephone inquiry system and processing delays. The advantages of decentralised program delivery which is provided by DSS, enables face to face contact between the program administrator and the client. The lack of fully decentralised program delivery is the major shortcoming of DEET's procedures.

4.59 DSS believed that if they were to act as the payment authority for Austudy quite substantial resources would be required and possibly more resources than

currently allocated by DEET. DSS advised however that it would be relatively easy to absorb the additional staff into the existing network. DSS considered that there could be 'offsetting program savings'. ANAO told the Committee that the administration of Austudy does not cost very much and:

> [the] resources and ratio of staff to recipients is fairly low, actually lower than the Department of Social Security.

4.60 The Committee made no critical assessment of how efficiently DSS administers its own programs. The House of Representatives Standing Committee on Community Affairs noted in its report on the quality of service provided by DSS that the Department had substantial problems in its contact with clients. These problems stem from the complexity of the social security system which inhibits the flow of accurate information. The DSS forms were also criticised for their complexity.[7]

4.61 DSS benefit control procedures are not necessarily more efficient than those of DEET. Based on a survey conducted by DEET in 1988 it appeared that 27 per cent of recipients might be overpaid and one per cent underpaid. The Audit Office commented that although these figures appeared high, a similar random sample survey of unemployment benefit recipients found that 33 per cent of recipients had been overpaid.

4.62 The Committee supports the continuation of the administration of student financial assistance by DEET provided significant reforms are undertaken,

---

[7] House of Representatives Standing Committee on Community Affairs, *Fairness, Courtesy and Efficiency?: A Report on the Quality of Service Provided by the Department of Social Security*, AGPS, Canberra, 1989

particularly those relating to the upgrading of the telephone inquiry service and further decentralisation. Accordingly the Committee recommends that:

- **all Commonwealth Employment Service offices be upgraded to Education Student Assistance scheme connected lodgement centres;**
- **an Austudy officer be out-posted to busy regional Commonwealth Employment Service offices to handle more complex inquiries;**
- **Commonwealth Employment Service staff at other centres be trained to handle all but the most complex inquiries but have access to central Austudy offices to enable ready access to expert advice;**
- **an expert data base be developed and installed in each Commonwealth Employment Service office;**
- **the telephone inquiry service be upgraded to enable 100 per cent of calls to be answered within 5 minutes, and**
- **application forms be amended to indicate that all local Commonwealth Employment Service offices are points of contact for in-person and telephone inquiries.**

4.63 In addition the Committee recommends that:

- **the Australian Audit Office review the 1991 processing season performance of the Department of Employment, Education and Training, and**
- **if substantial improvements in performance have not been achieved the program delivery aspects of Austudy be transferred to the Department of Social Security.**

4.64 The Committee recognises that the reforms recommended are not without cost. However they are essential if the program is to operate effectively. The development of an expert computer system must be given priority and must be made available to student and welfare groups. The Committee would expect the pilot expert system to be available for the 1991-92 processing period. This would relieve

DEET of many of its inquiry pressures. The upgrading of the telephone system is also of the highest priority. The establishment of Education Student Assistance Scheme connected lodgement centres should proceed over the next two financial years.

Consultation

4.65 A number of submissions welcomed the attempts by DEET to ensure that student representatives are involved in a consultative process on changes effecting their members. An Austudy planning group has been established consisting of DEET officers, the National Union of Students and the Australian and New Zealand Student Services Association. While student bodies welcomed its formation there was concern that this group might lose its momentum. The Committee agrees that the Austudy Planning Group should be formalised but is concerned that it only represents the views of the higher education sector. The Committee believes that the membership should be expanded to include representatives from the TAFE and secondary sectors. Accordingly the Committee recommends that:

- **the Austudy Planning Group be formalised and meet regularly to discuss changes and difficulties with student financial assistance, and**
- **the membership of the Austudy Planning Group be expanded to include representatives of the TAFE and school sectors.**

4.66 The Committee is concerned that while it received considerable evidence from the secondary and higher education sectors, it received very little from the TAFE sector. No TAFE student body provided information. NUS told the Committee that:

> We do not have any TAFE member campuses. The major reason for that is because the National Union of Students is, in a sense, a peak body of campus student organisations. I do not know ether the Committee members are aware that most TAFE campuses have no student campus organisations or if they do, they are under-resourced and under-funded and erratic in their very existence, I

suppose. So it is not possible to represent them in the way that we represent our member campuses.[8]

4.67 NUS has requested assistance from the Commonwealth to enable it to undertake a major research project on the TAFE sector which will include an examination of the feasibility of establishing student representative bodies on TAFE campuses. The Committee supports this request and recommends that:

- **the Department of Employment, Education and Training in consultation with the National Union of Students undertake a research project on TAFE student representation and consultation.**

[8] Transcript, p. 5.

5 STUDENT LOANS

Previous Proposals

5.1 Student loan schemes have been considered for Australia at various times. During 1970, the then Department of Education and Science set up an inquiry into the desirability of establishing a student loans scheme. This was to be different from existing university emergency loan schemes: the scheme was to operate within the Commonwealth Scholarships Scheme and be supplementary to those scholarships. Various systems of administration of the scheme were considered including the use of:

- existing financial institutions;
- a special institution set up for the purpose, or
- the Department of Education and Science.

Selection was to be on the basis of academic merit and loans were to be guaranteed by the Commonwealth.

5.2 During 1977, at the direction of the then Minister, further consideration was given to the question of a student loans scheme. It was recommended that loans should be available to needy students at post-secondary level as a supplement to the existing grants. Two inter-related schemes were proposed - one for small loans administered by educational institutions and the other for larger loans administered jointly by educational and financial institutions. Loans were to be available to most post-secondary students, both full-time and part-time. Educational institutions were to determine student eligibility on the basis of enrolment, need and age. Initial funding for the small loans scheme was to be provided by the Commonwealth. Long-term loans were to be funded by financial institutions. The project lapsed.

5.3 During 1982 the then Department of Education prepared a proposal for a loans scheme for post-secondary students. The proposal was accepted in the 1982-83

Budget but was rejected later in the year by the incoming Government.

5.4 That scheme provided for the Commonwealth to subsidise the interest charged by banks on approved loans and for the Commonwealth to give guarantees to banks that it would repay outstanding debts on approved loans within prescribed limits. The scheme was to enable full time tertiary students who were Australian citizens or permanent residents to borrow between $500 and $1 000 per year from banks to help pay for their education and living expenses while studying. Students could borrow up to $8 000 over the total period of their study.

5.5 The interest rate to apply was 14.5 per cent reduced by 5 per cent by way of a Commonwealth subsidy. The government was to provide banks with a guarantee amounting to $50 million per year on approved loans.

Existing Loans Schemes

5.6 Most universities and a few TAFE colleges have various financial assistance schemes to help needy students. These range from generous scholarships which are from Commonwealth, university and private sources, to small loans at low interest or free of interest. These loans are also supplemented by Student Guild assistance for very small amounts.

5.7 In 1985 the Special Assistance for Students Program was established by which the Government provided the universities and colleges (but not TAFE) with funds to enable the institutions to make small loans to students. The institutions have been able to establish their own specific procedures and eligibility criteria for financial assistance within a general framework developed by the Commonwealth. Students are required to demonstrate genuine need, particularly relating to accommodation or other circumstances where the student's continued study might be in jeopardy. The institutions are required to pay particular attention to the requirements of students from country or isolated areas and those who are required to live away from home to pursue their studies.

5.8 In exceptional circumstances grants may be made but in general the institutions are required to charge rates which ensure that the real value of the fund is maintained.

5.9 The conditions applying to the Special Assistance and institution funds vary between institution and particular student circumstances. At Melbourne University for example short term loans are interest free and longer term loans are interest free until graduation, when the rate rises to 9 per cent.

5.10 In addition to student loans operated by the institutions, banks make loans to students, generally final year students. Conditions relating to these loans are either commercial conditions or in some cases deferred payment long term loans. While interest is charged from the time loans are taken out, re-payment only commences on graduation. The concessional rate of interest in August 1990 was 19 per cent.

5.11 The Committee was unable to obtain detailed information on the profile of student borrowers, but it appears that first and second year students are the ones most likely to seek assistance. The Australian Vice-Chancellors Committee stated that at present many universities and colleges were able, by stringent lending criteria, to meet the requests from full-time students for immediate small loans of around $500 to $2 000 to overcome emergencies. In some cases scholarships and bursaries for disadvantaged students allow that financial assistance to be extended to some extent. Student administrators reported a marked reluctance on the part of financially stretched students to further extend their indebtedness, particularly where they are conscious of their obligation to meet HECS charges.

Overseas Schemes

5.12 According to information provided by DEET the most obvious difference between income support schemes in different countries is the respective roles of student grants and student loans. In a number of countries, over the last two

decades, there has been gradual change and emphasis away from student grants towards loans. The United Kingdom will introduce a loans scheme for the 1990/91 academic year which will gradually be increased as a proportion of total student support eventually equalling the combined contribution of parents and grants. The former Federal Republic of Germany has gradually moved from an all grants scheme to a grants and loans scheme and finally to an all loans scheme. In Sweden the grants component of student assistance has been effectively frozen while the loans component has been increased to take into account increased student costs. In the United States there has been an increasing student reliance on loans and a lessening of both parental contributions and needs based Federal grants.

5.13 In the international debate on loans versus grants, supporters of student loans have argued that loans would:

- lower government expenditure or free up expenditure for other education purposes;
- more equitably distribute costs and benefits (given that higher education is disproportionately used by the children of the wealthy), and
- widen access to income support to students who do fulfil the established criteria for receiving grants.

5.14 On the other hand opponents of student loans have argued that loans would:

- distort students choices of courses of study and career;
- prolong study (because students will take time off from study to work and thus minimise their debt), and
- still incur high costs in administration and collection, interest subsidies and defaults thereby minimising the presumed savings of loans over grants.

5.15 Analysts of international student finance have argued that grants need to be seen in terms of both rates of assistance and targeting while loans need to be

broken down into true loan and hidden grant components. While for instance, Australia, Spain and the United Kingdom have approximately equal rates of payment, Spain's grants are tightly targeted to just 17 per cent of students, Austudy is moderately targeted to 40 per cent of students and the United Kingdom extends grants to 82 per cent of students.

5.16 Student loans need to be analysed according to the rate of real interest charged to students and the dispensations offered on repayment. The Federal loan subsidies in the United States result in students receiving a 25 per cent effective subsidy on loan repayments. In Sweden the low interest rate means that only approximately one-third of the original loan is a true loan while two-thirds represents an effective grant.

5.17 It appears that government subsidised loan schemes overseas have a high default rate and are expensive. Information on the US scheme for instance, indicates that the default rates are about 25 per cent in some poorer areas. In 1987 $3.4 billion was available for student support, of which 87 per cent was spent on interest subsidies and only 13 per cent was available for new loans.

5.18 Recent reports indicate that the situation in the United States has not improved. As grants diminish and tuition fee increases continue to outpace inflation, student loans are playing a bigger part in higher education. The biggest problems are for graduates in medicine and law because tuition is so costly and in education and social work because the pay is so low. One survey found that 10 per cent of graduates said the debt caused them so much hardship that they wished they had never taken out loans. In times of recession many more students are unable to meet loan re-payments.[1]

---

[1] *Wall Street Journal*, 3 January, 1991.

5.19 The Higher Education Funding Committee concluded that:

> student loans schemes highlights a number of serious problems including:
>
> - default claims for more than 9 per cent of all student loans;
> - high administrative and legal costs and the use of debt collection agencies, in taking action against defaulters, and
> - rising student indebtedness and falling participation amongst financially and other disadvantaged groups.[2]

New Campus Loans Scheme

5.20 At the request of the Committee the Australian Bankers' Association has been conducting research into ways of increasing the availability of affordable commercial loans to students. The aim of this research is two fold. The first objective is to reduce the risk factors and the second is to reduce the administrative costs.

5.21 The Association advised that on an individual basis, these loans did not fit very well with existing bank products. The risk was high, cash flow was deferred for a considerable period and loan servicing was unpredictable. Even with parental guarantees, the loans were largely not very attractive to the banks. The Association is examining whether by pooling the loans and determining the relevant population characteristics of students, it can derive actuarially some risk profiles and enable loans to be made against the risk of the population of students rather than on individual characteristics. This would, by spreading the risks, reduce the risk of default and also minimise administration in that it would not be necessary to individually assess each loan.

---

[2] Committee on Higher Education Funding, *Report*, AGPS, Canberra, 1988, p. 27.

5.22 In the administrative area, the production of loans as mentioned above would significantly reduce administrative costs and the Association is also examining the extend to which administration could be integrated with the existing Government and tertiary institutions' administrative arrangements.

5.23 At the time of writing the Committee had not received the Association's submission. However the Vice-Chancellors Committee stated that the advice from student advisers was that a loans scheme was not likely to be taken up to any great extent unless the interest rates were especially favourable and security arrangements liberalised. The response to a UK initiative in this area indicated that loans may not be a popular option. From the viewpoint of the banks, and noting the relatively high rate of failure to repay student loans in the USA, the banks would presumably be seeking guarantees or assurances of repayment in the absence of more conventional security.

5.24 The Vice-Chancellors Committee believed that universities would wish to examine such proposals carefully to ensure that they did not divert funds needed to support academic programs to administer commercial student loans on a large scale. On the other hand, if such loans were seen by banks as useful exercises in good corporate citizenship, or as a necessary marketing measure to establish favourable lifetime customer contacts, even at the cost of low initial returns, it might prove to be successful.

5.25 The National Union of Students commented that consideration of a loans scheme was an acknowledgment of the shortcomings in Austudy and believed that a loans scheme was an inadequate solution to these shortcomings. The National Union of Students argued that the majority of gaps in Austudy provision could best be filled by changes to Austudy itself.

5.26 Unless conditions for loans were similar to those applying to campus-based loans schemes currently, the Union would not support such a scheme. The Union believed that a reasonably effective network within institutions already exists to

handle problems of financial assistance for students. If a loans scheme was introduced it would be appropriate if campus-based financial counsellors were responsible for assessing applications and advising students.

5.27 In the absence of a detailed proposal from the Bankers' Association the Committee reserves its decision, but supports in principle a scheme by which the banks provide bulk funds to institutions at concessional interest rates. Administration of the fund would be the responsibility of the institutions. When details of the proposal are available, the Committee will make its views known either in a letter to the Minister or by way of a further report to the House of Representatives.

5.28 As the Committee has recommended a more stringent parental income test, many students currently receiving some support will no longer be eligible for allowances. The loans scheme would provide support for these students. In addition it may enable students who were confident in their ability to repay the loan to obtain relatively cheap finance for some discretionary expenditure. More importantly it may provide financial support for a student who would otherwise cease study. At present loan funds are only available to those experiencing extreme financial difficulties.

5.29 It is essential that the scheme be administered by the institutions themselves and that students have access to financial counselling.

5.30 The Committee agrees with the Committee of Higher Education funding which found that while Australia as a nation was a major beneficiary of the higher education system there was also a direct personal benefit to the graduate. The Higher Education Committee found that:

> The average starting salaries of graduates, about $21 000 a year in 1987, are considerably higher than the salaries of non-graduates of the same age. Indeed, graduates with no work experience earn around the level of average weekly earnings of all Australian workers. A recent study of the employment patterns of

university graduates shows that with five years work experience, graduates on average are able to earn around 20 per cent more than the average full-time worker. These differences between graduate and non-graduate incomes increase considerably with further labour market experience.[3]

5.31 The Committee has no difficulty in supporting a system which will require students in higher education who already have obligations under HECS to contribute further to the costs of their education. ***The Committee emphasises however that the loans scheme should not be seen as a substitute for a government funded grants scheme (Austudy).*** The report has emphasised the need for a Government financed student assistance scheme, but targeted to the most financially disadvantaged groups in Australia.

The TAFE Sector

5.32 There is no extensive student loans system in the TAFE sector. The TAFE sector was not included in the Commonwealth's Special Assistance for Students Program. A few colleges operate very small loan schemes. Other colleges provide assistance to some extent in the form of amenities charge waivers or text-book credit arrangements at the college bookroom - at the discretion of the college council, or principal. One researcher contrasted loans funds available at Melbourne University ($616 000 in 1987) to those available at a Melbourne TAFE.

> By comparison, Prahran College of TAFE ran a loan scheme with a total float of $5 000 and a maximum loan of $100 per student. After servicing 50 students, the loan fund was exhausted. Of course, there are great differences in scales involved in these two examples, but both educational systems offer full-time educational programs to students, and presumably students who are enrolled in full-time courses of approved status should be provided with equal access to emergency financial support. The issue is not just a matter of scale.[4]

---

[3] ibid, p. 12.
[4] M Powles, *AUSTUDY: Taking the TAFE Pulse in the Early Stages of the Scheme*, Centre for the Study of Higher Education, The University of Melbourne, 1987, p. 15.

5.33 The Training Costs Review Committee found that there would be merit in TAFE students having access to emergency loans such as those provided in higher education. It suggested that:

> one option which the Commonwealth may wish to consider as part of its equity arrangements for TAFE is to provide grants to establish needy student loan schemes. A total allocation of $3 million per year for three or four years is likely to provide a level of funding which would sustain this arrangement for more than a decade.[5]

5.34 The Committee agrees that funds should be made available to the TAFE sector similar to those allocated to the higher education sector through the Special Assistance for Students Program. The administrative arrangements for TAFE however will be more complex as the Commonwealth will most probably be required to direct the funds through the State and Territory agencies responsible for the administration of TAFE. It would be the responsibility of the State and Territory agencies to then distribute the funds to individual campuses. The Committee recommends that:

- **the Commonwealth Government provide grants to State and Territory Governments to enable the establishment of loan funds for TAFE students similar to the Special Assistance for Students Program, and**
- **the Minister for Employment, Education and Training discuss with Ministers of Vocational Education, Employment and Training, arrangements for the administration of the student loans funds.**

5.35 The Committee was advised that while counselling services exist on TAFE campuses, these services relate to educational and vocational counselling. One NSW

---

[5] Training Costs Review Committee, *Training Costs of Award Restructuring*, AGPS, Canberra, 1990, p. 53.

TAFE counsellor advised:

> In TAFE we have one student activity officer and sometimes a counsellor or three counsellors in a college for 15,000 students. There is no welfare role. Ours is an institutional educational role or a sporting activities role.[6]

5.36 The Committee considers that it is essential that proper financial counselling is available to all students. Indeed these services should be available to TAFE students irrespective of whether a campus loans scheme exists. The denial of services which are readily available to their higher education counterparts is unacceptable. Accordingly the Committee recommends that:

- **the Minister for Employment, Education and Training discuss with the Ministers of Vocational Education, Employment and Training the provision of student welfare counselling services on TAFE campuses, and**
- **the Government provide financial assistance to establish welfare counselling services on TAFE campuses.**

ROGER PRICE
Chairman

March 1991

[6] Transcript, p. 273.

APPENDIX 1

LIST OF WITNESSES

Bain, Mrs J A	Anti-Poverty Subcommittee Northern Suburbs Social Development Council
Bowden, Mr J A	Executive Director Audit Operations Australian National Audit Office
Callaghan, Mr V E	Adviser Student Finances Australian & NZ Students Services Association
Coleman, Mr C S	Acting Assistant Secretary Program Review & Income Support Branch Department of Employment, Education & Training
Cousins, Mr R	Assistant Commissioner Legislative Services Group Australian Taxation Office
Davenport, Mr T I	Campus Co-ordinator Student Services South Australian College of Advanced Education
Davidson, Mr P A G	Policy Officer Australian Council of Social Service
Deverall, Ms K	President National Union of Students
DiBez, Ms E A	Welfare Officer Flinders University Union
Fitzpatrick, Mrs M J	Research Officer South Australian Association of School Parent Clubs Inc.

Freeland, Mr J	Deputy President Australian Council of Social Service
Garrick, Ms M J	Anti-Poverty Subcommittee Northern Suburbs Social Development Council
Grimsley, Mr P	Director Client Services Department of Social Security
Hardy, Ms J	Research Officer NSW Teachers Federation
Hartigan, Mr P	First Assistant Secretary Client Services Division Department of Employment, Education & Training
Hartley, Ms R A	Researcher Australian Institute of Family Studies
Harvey, Mr R G	Assistant Secretary Student Services Branch Department of Employment, Education & Training
Hickey, Mr P	Deputy Secretary Department of Employment, Education & Training
Highfield, Mr R	First Assistant Commissioner Revenue Collection Australian Taxation Office
Humphreys, Mr J V	National Manager Systems Department of Social Security
Kaylock, Ms C	Student Income Support Group Curtin Student Guild
Kelly, Ms G	Equity Officer Disability Curtin University of Technology

Kilpatrick, Ms M J	Assistant Secretary Family Programs Department of Social Security
Kirkby, Ms M	Welfare Research Officer Sydney University of Students Representative Council
Koorndyk, Mr M R	Assistant Registrar Dentistry University of Adelaide
Kopke, Mrs V A	Federal Vice-President Isolated Children's Parents' Association
Liddicoat, Dr A J	Spokesperson Student Financial Advisers Network
McPherson, Mr C M	Executive Director Audit Operations Australian National Audit Office
Murphy, Mr T C	Executive Manager Privacy, Fraud & Control Department of Social Security
Ogborn, Dr K P	Assistant Secretary Labour Force Programs Department of Social Security
Pickett, Mr H	Counsellor Counselling Service Curtin University of Technology
Pitcher, Mr B	Spokesperson Student Financial Advisers Network
Secomb, Mrs Gwen	Member South Australian Association of School Parent Clubs Inc.
Smallwood, Ms J	Private Citizen
Smith, Mr D	Education Officer National Union of Students

Spencer, Prof A J	Dean Faculty of Dentistry University of Adelaide
Stillman, Mr L J	Private Citizen
Story, Mr T	Assistant Commissioner Tax File Number Program Australian Taxation Office
Westell, Mrs D P	Member South Australian Association of School Parent Clubs Inc.
White, Mr P E	Senior Director Audit Operations Australian National Audit Office
Williams, Mr G M	Group Director Australian National Audit Office
Williams, Ms H K	Deputy Spokesperson Student Financial Advisers Network
Worthy, Mr D E	Senior Efficiency Analyst Audit Group D Australian National Audit Office

APPENDIX 2

SUBMISSIONS RECEIVED

Individuals

Adams, Ms M G, TAS
Alleva, Mr L, NSW
Anderson, Mr T, NSW

Badgery, Mrs H, NSW
Bailey, Mr S, VIC
Banditt, Ms C V, QLD
Bennett, Mrs M A, QLD
Bernasconi, Mr & Mrs P R, NSW
Birkett, Ms V, NSW
Bouchard, Mr K, QLD
Brown, Ms J, QLD
Bullard, Mr L, VIC

Carbins, Mr B, QLD
Cooke, Mrs M, TAS
Cox, Miss L, NSW

Davenport, Mrs R, NSW
Dekker, Mrs V, QLD
Dowsett, Mr P, SA
Dwyer, Mr S, NSW

Elliott, Mrs K, VIC

Finlay, Mr B J, VIC

Garlick, Mrs N, VIC
Gordon, Ms J, NSW

Healy, Ms M, VIC
Hewitt, Mrs C, QLD
Huett, Mr D, NSW
Huynh, H T, VIC

Johns, Ms P Y, VIC
Jones, Ms C, WA
Jones, Mrs J, WA

King, Mrs M, Qld
Knight, Mr T, NSW
Kraus, Mrs R E, QLD

Laue, Mr W, NT
Ligthart, Mr A, VIC
Lockwood, Ms K, VIC
Long, Ms C, VIC

Martin, Ms P, NSW
McCutcheon, Mrs M, VIC
McDermid, Ms L, QLD
McNaughton, Mr Q J, TAS
Monro, Mrs R, NSW

Nellings, Mrs J R, NSW

O'Sullivan, Mr K D, WA

Painter, Mrs J J, SA
Pearson, Mrs M, VIC
Pelham, Mr S, WA
Perry, Mrs E, VIC
Porter, Mrs M, QLD

Robertson, L A, WA

Smith, Mr & Mrs J R, NT
Spackman, Mrs S, NSW
Steeks, Mrs C, NSW
Streckfuss, Mr P, NSW
Strong, Ms P C, NSW
Sneyd, Ms J, SA

Taylor, Ms L K, QLD
Tenna, Ms F S, WA
Turra, Mrs M, VIC

Vassallo, Ms B, QLD
Vassallo, Mr E & D, QLD

Ward, Ms M A, QLD
Ward, Mr J H, WA
Watson, Mr M, NSW
Weston, Mrs J, VIC
Wilson, Mr T W, VIC

Educational Institutions and Organisations

ACT Institute of Technical & Further Education
Australian Vice-Chancellors' Committee
Australian College of Physical Education, NSW
Box Hill College of Technical & Further Education, VIC
Buckland College, WA
Kingston Community School, SA
St George College of TAFE, NSW
TAFE College Councils Association of Victoria Inc
University of Notre Dame
University of Adelaide Faculty of Dentistry
Victorian Association of Directors of TAFE Colleges, VIC
Wodonga College of TAFE, VIC

University Counselling Services

Councillors and Welfare Officers, South Australian Tertiary Institutions
Curtin University of Technology, WA
Flinders University of SA
University of Newcastle, NSW

Student Organisations

Adelaide University Union
Australian and New Zealand Student Services Association
Curtin Student Guild
Guild of Undergraduates, The University of Western Australia
Students' Association, The Flinders University of SA
Student Financial Advisers Network
Students' Representative Council, University of Sydney
Tasmania University Union
The National Union of Students
University of New England Students' Association
University of Wollongong Students' Representative Council
University of Sydney Labor Club

Parents Associations

Australian Parents Council Inc, NSW
Independent Parents & Friends Council of Queensland
Isolated Children's Parents' Association, WA
Parents & Friends Association, New England Girls' School, NSW
Queensland Council of Parents & Citizens' Associations Inc
South Australian Association of School Parents' Clubs Inc, SA

Community Welfare Associations

Australian Council of Social Service
Mallee Family Care
Northern Suburbs Social Development Council, WA
Social Security Enquiry System, ACT
Social Security Advisory Committee
The Welfare Rights & Legal Centre Ltd, ACT

Commonwealth Government

Australian Taxation Office
Department of Employment, Education & Training
Department of Primary Industries
Department of Finance
Department of Social Security

State Government

New South Wales
Northern Territory
Queensland
Tasmania
Victoria
Western Australia

Local Government

Koorda Shire Council, WA
Shire of Westonia, WA
Shire of Lake Grace, WA
Shire of Mt Marshall, WA
Shire of Pingelly, WA
Shire of Wongan-Ballidu, WA
Shire of Narembeen, WA
Shire of Victoria Plains, WA
Shire of Westonia, WA
The Country Shire Councils' Association, WA

Other

Australian Bankers' Association
Australian Institute of Family Studies, VIC
Construction Training Council, NT
Lloyd O' Neil, JP, MP
National Farmers Federation, ACT
Queensland Group Schemes Association Inc, QLD
Senator Meg Lees, SA
Teachers Federation, NSW

FULL-TIME PARTICIPATION RATES FOR 17-24 YEAR OLDS (PER 1,000 OF RELEVANT POPULATION COHORT)

Year	Participation rate	Change Over Previous Figure (per cent)
SCHOOL		
1983	50	
1986	63	+26.0
1989	82	+30.2
TAFE		
1983	23	
1986	23	0
1988	26	+13.0
HIGHER EDUCATION		
1983	73	
1986	81	+11.0
1989	101	+24.7
TOTAL		
1983	147	
1986	168	+14.3
1988	199	+18.5

NOTE: An age participation rate measures the proportion of an age cohort enrolled in full-time education in school, TAFE or higher education (as appropriate) in a specified calendar year.

Source: Department of Employment, Education and Training

APPENDIX 4

CUT-OFF POINTS FOR AUSTUDY PARENTAL INCOME TEST - 1991

16-17 Year old at home

	No siblings	One sibling	Two siblings	Three siblings
0 Dependents	$32,043	$44,787	$57,531	$70,275
1 Dependent	$33,243	$45,987	$58,731	$71,475
2 Dependents	$35,743	$48,487	$61,231	$73,975
3 Dependents	$38,243	$50,987	$63,731	$76,475

16-17 Year olds away from home

0 Dependents	$40,459	$61,619	$82,779	$103,939
1 Dependent	$41,659	$62,819	$83,979	$105,139
2 Dependents	$44,159	$65,319	$86,479	$107,639
3 Dependents	$46,659	$67,819	$88,979	$110,139

18-20 Year olds at home

0 Dependents	$34,651	$50,003	$65,355	$80,707
1 Dependent	$35,851	$51,203	$66,555	$81,907
2 Dependents	$38,351	$53,703	$69,055	$84,407
3 Dependents	$40,851	$56,203	$71,555	$86,907

18-20 Year olds away from home

0 Dependents	$42,723	$66,147	$89,571	$112,995
1 Dependent	$43,923	$67,347	$90,771	$114,195
2 Dependents	$46,423	$69,847	$93,271	$116,695
3 Dependents	$48,923	$72,347	$95,771	$119,195

21+ at home (special rate)	No siblings	One sibling	Two siblings	Three siblings
0 Dependents	$37,539	$55,779	$74,019	$92,259
1 Dependent	$38,739	$56,979	$75,219	$93,459
2 Dependents	$41,239	$59,479	$77,719	$95,959
3 Dependents	$43,739	$61,979	$80,219	$98,459

21+ away from home (special rate)				
0 Dependents	$47,115	$74,931	$102,747	$130,563
1 Dependent	$48,315	$76,131	$103,947	$131,763
2 Dependents	$50,815	$78,631	$106,447	$134,262
3 Dependents	$53,315	$81,131	$108,947	$136,763

Note: A dependent is a child who is under 16 or a full-time student aged 16 to 24, dependent on parental support but not an eligible sibling.

An eligible sibling is a brother or sister 16 years or over and is in a full-time secondary or tertiary course approved for Austudy.

Source: Department of Employment, Education and Training

AVERAGE BOARDING COST

In 1989 there were approximately thirteen thousand geographically isolated Australian students. Approximately 8,500 of these students gained access to a school by boarding at one of the one hundred and sixty-three boarding schools, and approximately 2,000 of them gained access to a school by boarding at one of the forty-six school term hostels.

The remainder either gained access by boarding privately, by the establishment of a second family home, or by enrolling with a Distance Education system.

Boarding Fees at Non-Government Boarding Schools

Extracted from 1989 N.C.I.S. Boarding School Directory of Australia.

	Maximum	Minimum	Average
ACT	$5 316.00	$5 200.00	$5 258.00
NSW	5 880.00	2 200.00	4 554.00
NT	3 500.00	3 300.00	3 400.00
QLD	4 610.00	2 100.00	3 703.00
SA	6 764.00	4 500.00	5 449.00
TAS	5 000.00	3 225.00	4 054.00
VIC	6 600.00	3 300.00	4 734.00
WA	5 160.00	3 132.00	4 551.00
AUST.	$6 764.00	$2 100.00	$4 472.00

School Term Hostel Fees

18 Government Hostels, 28 Non-Government Hostels (35 x 7 Days and 11 x 5 Days). Extracted from 1989 School Term Hostel Report to I.C.P.A. Federal Conference.

	Maximum	Minimum	Average
QLD	$3 906.00	$2 600.00	$3 206.00
WA	5 361.00	4 100.00	4 214.00
TAS	2 730.00	2 730.00	2 730.00
NT	2 800.00	2 800.00	2 800.00
NSW	3 980.00	2 560.00	3 206.00
SA	4 000.00	3 200.00	3 600.00
VIC			
ACT			
	$5 361.00	$2 560.00	$3 425.00

Boarding Fees at Government Boarding Schools

	Maximum	Minimum	Average
NSW	$4 544.00	$4 544.00	$4 544.00
WA	4 100.00	4 100.00	4 100.00
AUST	$4 544.00	$4 100.00	$4 266.00

Australian Boarding Fees for 187 institutions total $798 087.00

1989 Average Boarding Cost	$4 267.00
1990 Average Boarding Cost	$4 267.00
Plus 4.57% S.P.I.	$4 462.00
or 6.8% C.P.I.	$4 557.00

Source: Isolated Children's Parents' Association

APPENDIX 6

INQUIRY INTO LIVING COSTS OF YOUNG PEOPLE

Draft Terms of Reference for an inquiry into the living costs and incomes of young people.

We suggest that: The Social Security Advisory Council and the National Board for Employment Education and Training should be consulted over its terms of reference, the conduct of the research and appropriate consultative arrangements for the inquiry. The Inquiry should commence by July 1991 and be completed by March 1992. It should engage the services of an independent consultant to conduct the associated research.

Terms of Reference

To examine and report upon the living costs and income sources for people aged 16-25 years, engaged on a full time basis in education, vocational training, Commonwealth labour market programs, and/or job search with reference to:

- the basic living costs of young people living 'at home' or independently (including homeless young people;
- the costs associated with their participation in study, training, labour market programs and/or job search;
- the extent to which young people rely, and can expect to rely, upon their parents for income support;
- the extent to which they rely, and can expect to rely, upon part-time and casual earnings to supplement their incomes;
- the extent to which they rely, and can expect to rely, upon Commonwealth income support, and how such income is spent;
- the extent to which they rely, and can expect to rely, upon other sources of income.

The inquiry should pay particular attention to variations in income needs, expectations and income sources among young people from different: Family types, gender, socio-economic background, metropolitan and rural locations and ethnic origin.

Source: Australian Council of Social Service

BEST COPY AVAILABLE

9 780644 140720
91/20510 Cat No. 91 0435 3